

University of Warwick institutional repository: <http://go.warwick.ac.uk/wrap>

**A Thesis Submitted for the Degree of PhD at the University of Warwick**

<http://go.warwick.ac.uk/wrap/34672>

This thesis is made available online and is protected by original copyright.

Please scroll down to view the document itself.

Please refer to the repository record for this item for information to help you to cite it. Our policy information is available from the repository home page.

51

# **An analysis of the transfer process of management development practices within multinationals**

**Case studies of two British-based multinationals' operations in Russia**

**Antonina G. Pavlovskaya**

**Submitted for the qualification of Doctor of Philosophy in Industrial Business  
Studies**



**Warwick Business School**

**University of Warwick**

**March, 2003**

CHAPTER 1: Introduction.....	1
1.1 Context of the study .....	1
1.2 Objectives and motivation of the research .....	3
1.3 Structure of the thesis.....	5
CHAPTER 2: Management Development: A review of the literature .....	7
2.1 Introduction .....	7
2.2 MD function and approaches.....	8
2.3 The nature of management and MD .....	12
2.4 Factors that shape the perception and use of MD.....	16
2.4.1 Strategic MD .....	16
2.4.2 Organisational context.....	21
2.4.3 External factors that shape the perception and use of MD .....	23
2.4.3.1 Institutional factors that shape the perception and use of MD.....	23
2.4.3.2 Cultural factors that shape the perception and use of MD.....	27
2.4.4 Influence of contextual factors on the transferability of management and MD practices .....	30
2.5 Conclusions .....	32
CHAPTER 3: The process of transfer of MD practices within MNCs .....	34
3.1 Introduction .....	34
3.2 Transfer of management and MD practices within multinationals.....	35
3.2.1 The nature of MNCs: the importance of transfer .....	36
3.2.2 Contextual influences on the transfer of management and MD practices in MNCs. ....	38
3.2.3 Transferability of practices: static vs. dynamics view on the transfer process ....	40
3.3 The process of transfer of MD practices within MNCs: the integrative model .....	41
3.3.1 Societal context: home and host country influence.....	43
3.3.2 Globalisation and organisational effects in structuring of management and MD practices .....	44
3.3.3 International institutional context.....	45
3.3.4 Mechanisms of transfer.....	47
3.4 Structuring MD by context.....	49
3.4.1 Formation and development of key institutions.....	52
3.4.2 Key institutions structuring economic organisation and characteristics of dominant firms.....	52
3.4.2.1. The state .....	53
3.4.2.2. The financial system .....	55
3.4.2.3. The skill development and control system.....	57
3.4.2.4. Norms and values governing trust and authority relations.....	59
3.5 Processes and structures: political aspect of the transfer of practices within MNCs....	62
3.6 Conclusions .....	65
CHAPTER 4: Methodology .....	67
4.1 Introduction .....	67
4.2 Research methodology .....	68
4.2.1 Contextual analysis of MD processes.....	68
4.2.2 Russia as the context of study .....	71
4.2.3 Exploratory and explanatory research .....	72
4.3 The research design of the thesis .....	74
4.4 Operationalisation of the study .....	77
4.4.1 Selecting countries.....	77



4.4.2	Selecting the industrial sector .....	78
4.4.3	Selecting case study companies .....	79
4.5	Fieldwork: data collection .....	80
4.6	Data analysis and writing up cases .....	86
4.7	Conclusions .....	88
CHAPTER 5: MD practices within their societal-institutional context: the UK and Russia compared.....		90
5.1	Introduction .....	90
5.2	Institutional features: the UK and Russia compared.....	92
5.2.1.1	The state .....	93
5.2.1.2	The financial system .....	96
5.2.1.3	Skill development and control system.....	98
5.2.1.4	Trust and authority relations .....	101
5.3	Features of business systems and dominant firms in the UK and Russia .....	103
5.3.1.1	The UK: compartmentalised business system.....	103
5.3.1.2	The UK: dominant firms characteristics.....	105
5.3.1.3	Russia: state-regulated business system.....	106
5.3.1.4	Russia: dominant firms characteristics .....	108
5.4	Structuring MD practices by institutional and cultural context.....	109
5.4.1	“Ideal-type” MD practices in the UK.....	110
5.4.2	“Ideal-type” MD practices in Russia.....	115
5.5	Contextual influences in MD: tension in the transfer process.....	120
5.5.1	Differences in the preferred MD practices.....	121
5.5.2	The influence of the value system and national culture on the behaviour of Russian managers .....	123
5.5.3	Macroeconomic changes and changes in management practices.....	125
5.5.3.1	Restructuring of economy .....	125
5.5.3.2	Changes in the institutional framework.....	128
5.6	Conclusions .....	130
CHAPTER 6: Transfer of MD practices within MNCs: Cadbury Schweppes PLC .....		132
6.1	Introduction .....	132
6.2	Cadbury Schweppes PLC.....	133
6.3	Cadbury Schweppes within the British national business context .....	134
6.3.1	The business environment and the influence of the industrial sector.....	135
6.3.2	Administrative heritage.....	139
6.4	MD in Cadbury Schweppes PLC.....	140
6.4.1	Focus of the development of organisational capabilities and bases of responsibility .....	140
6.4.2	Co-ordination mechanisms and the degree of centralised co-ordination.....	141
6.4.3	Formal structures and informal processes .....	142
6.5	MD in Cadbury Ltd.....	145
6.5.1	History of the site and its organisational structure .....	145
6.5.2	Transformation of Cadbury Ltd and MD principles.....	146
6.5.3	Competency-based approach .....	147
6.5.4	Performance management system.....	148
6.5.5	MD practices in Cadbury Ltd.....	149
6.5.5.1	Managerial recruitment.....	149
6.5.5.2	Training.....	150
6.5.5.3	Career development: personal development planning.....	151
6.5.5.4	Performance planning and appraisal.....	152



6.6	Cadbury Confectionery ZAO .....	153
6.6.1	Initial investment and development of the subsidiary .....	153
6.7	Transfer of management and MD practices to Cadbury Confectionery ZAO .....	156
6.7.1	Organisational structure.....	156
6.7.2	Focus and priorities in the transfer of management and MD practices as defined by the parent company .....	158
6.7.3	Ways to transfer practices used by the parent company.....	161
6.7.4	Contextual influences in MD processes .....	162
6.7.4.1	Managerial recruitment.....	162
6.7.4.2	Training.....	163
6.7.5	Formal structures and informal processes in implementation of MD .....	168
6.7.5.1	Performance management and appraisal .....	168
6.7.5.2	Career management .....	169
6.8	Conclusions .....	171
CHAPTER 7: Transfer of MD practices within MNCs: Unilever PLC .....		173
7.1	Introduction .....	173
7.2	Unilever PLC (Unilever N.V.).....	174
7.3	Unilever PLC within British national business system.....	174
7.3.1	The business environment and the influence of the industrial sector.....	176
7.3.1.1	Key features of British food produces .....	176
7.3.1.2	Business development.....	177
7.3.2	Administrative heritage.....	179
7.4	MD model in Unilever PLC .....	180
7.4.1	Co-ordination mechanisms and the degree of centralised co-ordination of MD activities .....	181
7.4.2	Formal structures and informal processes in MD .....	182
7.5	Birds Eye Wall's Ltd as an example of the Unilever model of MD .....	185
7.5.1	History of the company.....	186
7.5.2	Structure of Birds Eye Wall's Ltd .....	186
7.5.2.1	Gloucester site .....	188
7.5.3	The introduction of TPM .....	188
7.6	Birds Eye Wall Ltd as an example of the Unilever MD practices, compared with the “ideal-type” British MD practices.....	189
7.6.1	MD process and co-ordination of MD activities on the site .....	190
7.6.2	MD practices on the site as compared with “ideal-type” British MD practices .....	191
7.6.2.1	Recruitment.....	191
7.6.2.2	Training.....	191
7.6.2.3	Career management .....	192
7.6.2.4	Appraisal and personal development planning .....	193
7.7	Transfer of Unilever model of MD to Severnoye Siyaniye ZAO .....	194
7.7.1	Initial investment and development of the subsidiary.....	194
7.7.2	Organisational structure and the HR function.....	196
7.7.3	Focus and priorities in the transfer of management and MD practices as defined by the parent company .....	197
7.7.4	Transfer practices used by the parent company .....	197
7.7.5	Practices transferred .....	199
7.7.6	Challenges to traditional MD practices .....	200
7.7.6.1	Managerial recruitment.....	200
7.7.6.2	Training.....	201
7.7.6.3	Career development.....	204
7.7.7	Not enough explanation of transferred practices given.....	205



7.7.7.1	Performance management and appraisal .....	205
7.7.8	Inconsistencies in the implementation of the practices transferred.....	208
7.7.9	Factors which intensified misunderstanding.....	210
7.7.10	New HR initiatives .....	211
7.8	Summarising remarks.....	211
7.9	Unilever five years later: resolved and unresolved problems.....	213
7.9.1	Business pressures and changes in Unilever.....	213
7.9.2	Severnoye Siyaniye becomes OOO Unilever SNG .....	214
7.9.3	The new management and MD practices introduced .....	215
7.10	Tension persisted .....	217
7.10.1	The influence of institutional and cultural context.....	219
7.10.1.1	Challenges to the traditional way of working and relating: teamwork.....	221
7.10.1.2	Challenges to the traditional way of working and relating: changes in management role and style .....	224
7.11	Transfer and implementation of management practices Unilever OOO Unilever SNG	226
7.11.1	Formal MD structures and systems transferred: tools vs. processes in MD.....	228
7.11.2	Management hierarchy and the composition of the management team .....	233
7.12	Unintended consequences .....	237
7.13	Conclusions .....	239
CHAPTER 8: Discussion.....		240
8.1	Introduction .....	240
8.2	The influence of context on MD in two British-based MNCs .....	245
8.3	The influence of context on the ways in which MNCs transfer their MD practices ..	251
8.4	Factors shaping MD practices in subsidiaries .....	253
8.4.1	The influence of institutional context on the nature of MD practices and the process of transfer.....	253
8.4.2	Other factors which shape the transfer of MD practices .....	258
8.4.2.1	Consistency in implementation .....	259
8.4.2.2	The importance of shared values and communication .....	260
8.5	Summary of key findings .....	263
8.6	Concluding remarks .....	265
CHAPTER 9: Conclusion .....		267
9.1	Contribution of the research .....	267
9.1.1	The analysis of the process of transfer of MD practices within MNCs .....	268
9.1.1.1	Contextual embeddedness of MD practices.....	268
9.1.1.2	The analysis of the model developed in the thesis .....	271
9.1.1.3	Contextual rationality and the nature of the process of transfer .....	274
9.1.1.4	Structuring of MD in Russia by the institutional context .....	276
9.2	Policy implications: MD as a process of learning .....	277
9.2.1	Workplace context.....	277
9.2.2	Societal context .....	279
9.3	Implications for future research.....	279
Appendix A.....		282
Appendix B.....		285
References.....		288



## Acknowledgements

I would like to express my gratitude towards those who helped me to carry out this research. These years were the most difficult, yet at the same time, the most exciting years of my life.

I want to thank my supervisors Dr Harry Scarbrough and Dr Ewart Keep who helped me to start up. I am lacking words to express my gratitude to my supervisor Dr Diana Sharpe. What she did was almost impossible: she managed to turn me from a “consultant” into a “social scientist”. Her support, challenging comments, irony, and incredible sense of responsibility for anything she does set standards for me in my work and gave me extra motivation, which was desperately needed at the time.

I would like to thank Warwick Business School for financial support during these years. I appreciate financial support provided by the Swedish Research Council at the final stage of my PhD. I am grateful to Jan Woodley and Lesley Inness for their help which was especially needed during the most difficult phase: the write-up and submission. I want to thank managers in the companies who were supportive to my research and discussed freely most sensitive issues related to their work life.

I want to thank my husband and my brother-in-law for support, and also my little son. You decided to come to this world in the midst of the writing up havoc, and you will always be my “most important chapter in my thesis”. My mum and my sister, the tenderness and the soul of the family, could I have done without you?

My dear friends, you are the treasure that I will carry with me long after I leave Warwick. Javier Quintanilla, Monia Mtar, Ana Santos, Laura Read, Manuela Correia, Rachel Allen, Rajeeva Singh, Raquel Ortega, Carmen and Luis Lages, Carl Fey you all made Warwick special for me. I want to thank those whose support helped me to continue when it was particularly difficult. It is because of you I did not give up this thesis. Andrew Mayo, Graham Sadler, Birgit Hansen, Irina Likhova and Irina Ostrovskaya you did so much for me, I cannot thank you enough.

My dad, who once was in the same shoes as I am now, truly believed that I could make it. His confidence and love helped me through. I just want he lived longer to see it finished. This thesis is for you.



## Abstract

The thesis presents a study of the process of transfer of management development (MD) practices within multinational companies (MNCs). The study examines the influence of context on the nature of MD processes in MNCs. It considers the influence of institutional context on the ways in which MD practices are transferred and received in MNCs, and identifies further factors shaping MD practices and their transfer process in MNCs. The findings challenge the notion that the transfer and structuring of MD around a system, which aims at the development of a homogeneous management cadre, is possible.

The research focuses on the transfer of four MD practices – recruitment, training and development, career management, and rewards and appraisal from two British-based MNCs operating in the fast moving consumer goods sector to their Russian subsidiaries. The study involves qualitative comparative research into the behaviour of managers. The research identifies and analyses the MD models and MD practices being transferred to the subsidiaries and the influence of the institutional context on the structuring of MD practices. Longitudinal research of the Russian subsidiaries' internal dynamics following the transfer of management and MD practices from the parent company analyses the process of transfer and considers the ways in which practices transferred are received, resisted, misunderstood, and sustained in the subsidiaries.

The thesis highlights the contextual embeddedness of MD processes and practices, and shows how MD practices in MNCs are structured by their national context. The research identifies how MD practices are also influenced by the business environment and the industrial sector, the history of the company, its organisational culture, and the management philosophy and organisation. The influence of the host country national context on the ways in which the transferred MD practices are received in the Russian subsidiaries is examined and the particular difficulty of transferring training and development and career management strategies is identified. Processes found to facilitate the transfer of practices include those that provide interpretations and create meaning surrounding the practices transferred. The thesis argues that work practices are more than just a series of separate techniques and that they also involve processes related to establishing relations and creating meaning.

---

---

# *CHAPTER 1: Introduction*

---

---

## **1.1 Context of the study**

The last two decades have witnessed major structural changes in the world economy. The internationalisation of economies, the creation of the single European market, the opening of new markets following the transformation of central and eastern Europe, and the introduction of new technologies are just some of the main features of the new international economic order.

Current trends, such as the globalisation and customisation of products and services, technological advances, and increased information / communications have had a tremendous influence on the conceptualisation and execution of the human resource agenda. The pressures and challenges of operating in a highly competitive environment have led many organisations to conclude that the managerial role and the performance of managers are now critical considerations in formulating and implementing their strategic response. Pfeffer (1994) notes that the traditional sources of success such as product and process technology, provide less of a competitive advantage today than in the past. Today's competitive advantage comes from the workforce, and how effectively it is managed. Managers, therefore, are increasingly seen as key in terms of providing an interpretation of, and creating a meaning for, major strategic and organisational changes to the organisation's members (Warner et al., 1993).

A review of the modern literature highlights how for multinational companies (MNCs), management development (MD) is now seen as a vital ingredient (e.g. Brockbank, 1997; Beer, 1997), enabling the organisation to develop capabilities to meet the external and internal demands of the future. The identification and development of leaders who are capable of functioning on a global scale and with a global perspective becomes a critical issue (Prahalad and Doz, 1987). This is particularly relevant when there exist conflicting pressures within multinational organisations that are simultaneously creating forces of centralisation and decentralisation. Increasingly, companies find themselves involved in



the process of developing an overarching corporate culture, and thus increasing the integration of decentralised subsidiaries, and international executive development (Doz and Prahalad, 1991).

There has been much attention in the recent management literature given to the ways MNCs transfer their practices. The argument is that in order to develop the global manager, MNCs transfer their MD practices and approaches to their subsidiaries. A firm goes abroad to make more profits by exploiting its technology, or brand name, or management capabilities in different countries around the world. It is assumed that the key competencies of the multinational always reside at the centre (Ghoshal, 1998). Yet, whether transferred practices work in a new setting is extensively debated in the management literature (e.g. Cool and Lengnick-Hall, 1985; Broad, 1994; Botti, 1995; Kostova, 1999). Some scholars believe that the presence of similar practices across the multinational organisation and particular mechanisms of control exerted by the “controlling unit” may result in convergence or homogeneity across plants in the management and organisation of labour (e.g. Coller, 1996). These authors view MNCs as powerful organisations whose interests may weaken national systems of industrial relations and collective bargaining. Other writers remain more sceptical and question the existence of universal models of MD. For example, Storey (1990: 5) contends that “the main shortcoming of the MD literature is its general tendency to apply universalistic nostrums ... most of the prescriptions for better practice fail to pay due regard to context”.

The focus of this research is the study of management processes within the context of two national business environments, and of several organisations operating in one industry within these environments. The major research findings come from the explorative research within two British-based multinationals and their Russian subsidiaries. The study explores the relationship between formal structures and actual management behaviour in subsidiary operations. The research relates managerial work and behaviour to its broader national institutional and societal, as well as cultural, and organisational settings. Thus, the focus is not only on providing evidence of the existence of formal management systems in the subsidiaries of those MNCs included in the study, but also on the way they are operated in practice in host environments, given that those systems are not part of the traditional national management culture into which they have



been imported. In addition, this study investigates the problems generated at the cross-cultural interface. The thesis is based on the argument that the views of MD held by a company are influenced by their embeddedness in a particular context. That is, the views of Russian organisations and UK organisations as to what MD is about and what its requirements are may vary and be explainable by reference to the context in which their own management systems developed. These may also be influenced by industry specific features and international regulations as well as the specific organisational context in which MD has been developed and applied.

## **1.2 Objectives and motivation of the research**

As the world becomes increasingly global, there is a clear need for theory and research that addresses international organisational behaviour. Existing domestic models of organisational behaviour may not apply abroad. Thus understanding differences and similarities in work behaviour in cross-cultural settings is an important aspect of managing in the new millennium (Ghoshal, 1998). The importance of the problems generated at the cross-cultural interface while transferring formal management structures and systems within MNCs has already been highlighted in the management literature (Storey, 1990; Ferner, 1994; Stewart et al., 1994; Marginson and Sisson, 1994; Ferner, 1997). Yet, existing empirical studies suffer from a number of weaknesses. Some studies provide empirical evidence that even in those MNCs where formal structures introduced by the parent company to their subsidiaries are in place, the meaning attached to them is different (Broad, 1994; Domsch and Lichtenberger, 1990). Only recently has this become an area of research. There is a gap in the literature which tends to de-contextualise the process of transfer by advancing the search for universal practices for the development of global managers. Nevertheless, due to the difference in institutional and cultural environments, management processes are likely to be different in different countries, even if similar formal structures are established (Hickson and Pugh, 1995; Hendry, 1996).

An under-researched dimension is how an MNC's "corporate culture" interacts with the national management cultures of the countries in which it operates and develops its management stock (Storey, 1990; Marginson and Sisson, 1994; Ferner, 1997). Edwards

et al. (1993) point out that, in contrast to the view that firms should be developing the “global manager”, the expectations of managers from different countries in their study varied, and the desire for global mobility was limited. The major shortcoming of recent research, according to the authors, is that there is no discussion of potential tensions within the process of developing global managers. The dearth of studies about how managers in subsidiaries are integrated into the enterprise as a whole, as well as the political and other constraints on the process, is notable.

Equally, previous comparative research has concentrated overwhelmingly on US and Japanese companies (Calori, 1996; Edwards et al., 1996), and, as Ferner (1997) argues, only a few studies concentrated specifically on HR issues, and even then the focus has been on often fairly narrow aspects such as expatriation. Russia, with its huge domestic market, is a lure to multinationals. At the same time, very little is known about the behaviour of Russian managers who, in spite of their role in Russian society, have rarely been the object of empirical studies. To date, research in this area has been preoccupied with providing typologies of Russian managers (e.g. Puffer, 1994). There is no systematic analysis of the impact of context on management practices in Russia. However, management roles and behaviour in Russia are very different from those in other countries. Therefore, it is important to understand which management practises might be appropriate in the Russian context, and how they might be transferred. The research questions have developed out of the literature debates above (e.g. Hickson and Pugh, 1995; Hendry, 1996) that have argued for a more contextualised analysis of management and MD practices within MNCs. This thesis seeks to answer the key research question: to what extent is it possible to homogenise managerial behaviour across the world? More specifically, this research analyses the influence of institutional and organisational context on the nature of MD practices and the ways in which they are developed. Furthermore, it examines other factors which shape the way MD practices are transferred and sustained within MNCs.

This research offers several contributions to the theoretical debate on the development of international managers. By analysing differences in management styles and work attitudes, and contrasting management practices in two different countries (Britain and Russia), the research contributes to the understanding of the impact of context on the conception of management. It re-examines issues that are all too frequently taken for



granted, e.g. the existence of universal management practices. Furthermore, this research highlights the institutionalised meaning of management within a given society. An awareness of how and why managerial behaviour in other cultures is different enhances the understanding of wider managerial and organisational practices, and, ultimately, communication and co-operation. Since direct transplantation is often impossible, it is necessary to find ways of reconciling the practices considered effective in the parent country with the local conditions of the host culture.

The research also contributes to the understanding of what happens when organisations move out of their national contexts and extend their experience to other national spheres where social relations are structured by different institutional systems. It assesses the view that MNCs are subject to complex and conflicting internal processes that are distinct from those present in non-international firms. The process of transfer calls for selection, adaptation, and development of the practices transferred. It is therefore more than likely that one should observe an uneven distribution of home practices in MNCs across the world.

Finally, the research contributes to the understanding of MD in Russia. As noted above, previous work has focused on providing a typology of Russian management roles. This research adopts a different approach viewing MD primarily as a process of learning, making sense of the models transferred.

### **1.3 Structure of the thesis**

The structure of the thesis is as follows. The next chapter presents current debates on the conceptualisation of MD. Particular emphasis is given to the way MD is conceived of in the contemporary management literature, and its links with the nature of the managerial task, role and function. It also highlights the key factors that shape the use and perception of MD. The discussion argues for the adoption of a contextualised view of MD.

Chapter 3 elaborates the framework of the study. It presents and discusses the integrative model of the process of transfer of management and MD practices within multinationals. It also operationalises this model into steps of analysis to be followed throughout the



case studies. Particular emphasis is given to the issue of transferability of practices in multinational companies and the importance of adopting a dynamic view.

Chapter 4 outlines the methodology of the study. It presents a detailed account of the research framework, paying particular attention to the way the study has been operationalised, as well as the fieldwork and the data collection methods. Consideration of the generalisability of the research findings is included.

Chapters 5 describes the practices and processes of MD in a national environmental context. The UK and Russia are considered in order to contextualise these by relating them to the institutional and cultural settings of the two countries. The analysis aims to establish an understanding of the interaction between national business systems and MD practices in a particular society. It also presents the hypotheses of the study.

Chapters 6 and 7 explore in greater detail MD processes in two MNCs by relating them to the structures and cultures of the organisations included in the study. Approaches to the transfer of MD in the subsidiaries of two British-based MNCs are presented, and MD practices are examined in the specific areas of how the firms recruit, motivate, assess and progress their key personnel. The chapters also provide a discussion of the steps that the organisations have taken to transfer their practices to their Russian subsidiaries, as well as the challenges and problems which accompanied this transfer. A discussion of findings and issues highlighted in these case study chapters is then presented in Chapter 8.

Chapter 9 summarises the key findings of the study and presents final conclusions outlining the achievement of the thesis objectives and proposing future research directions.

---

---

# *CHAPTER 2: Management*

## *Development: A review of the literature*

---

---

### **2.1 Introduction**

This chapter outlines the current debates concerning MD issues. Its major aim is to draw on the different ideas available in the literature in order to highlight key issues for debate. The findings here are used to explain the approach of this research and elaborate the framework in the subsequent chapters. The chapter critically examines the ways in which MD has been conceptualised in the literature. It reviews traditional mainstream approaches to the conceptualisation of MD and argues that the literature does not fully examine the influence of institutional context on MD. It also reviews different strands of the literature and more recent debates within the wider field of management practices and HRM that have begun to devote attention to context. The chapter argues that this is also of interest in the study of MD practices and the process of transfer of MD practices within MNCs.

The structure of this chapter is as follows. First, a brief discussion of the ways in which MD has been conceptualised in the literature is provided. This section also contains a summary of MD functions and approaches. Key features of MD models are also identified. These features will be used later in the thesis in order to compare MD models in the organisations under study. This is followed by a discussion of issues concerning the nature of management and their importance to MD. Factors that shape the perception and use of MD are then discussed and contextual embeddedness of MD is highlighted. This section argues that, contrary to rationalistic views, processes are as important as formal structures to successful MD. The final section in this chapter deals with issues related to the transferability of MD practices.

**2.2    MD function and approaches**

The topic of MD is broad in its scope. Scholars argue about the function and focus of MD, and have adopted many different perspectives. This section discusses the way MD has been conceptualised in the traditional literature and argues that there are differences in the understanding of the function and objectives of MD. Although diversity in MD has been discussed in the literature, it has not been given enough attention. Traditional mainstream approaches to MD are preoccupied with simply giving prescriptions as to what should be done for managers in terms of their development.

The table below presents an overview of some of the contrasting ways in which MD has been defined in the literature.

Table 2.1 Overview of MD definitions

Ashton et al. (from Storey, 1989).	MD is a conscious and systematic decision-action process to control the development of managerial resources in the organisation for the achievement of organisational goals and strategies
Evans 1990	MD is the key to individual development, thereby ensuring a supply of the right people for key positions
Handy et al., 1988	MD is a mixture of experience, training, education and career management which is usually initiated by the organisation with the necessary co-operation of the individual
Larsen, 1996	MD as a learning creation process which integrates individual and organisational competence
Margerison, 1993	MD is an integrated approach to improving individual, team and organisational performance
Mumford, 1987	MD is an attempt to improve managerial effectiveness through a planned and deliberate learning process
Storey, 1989	MD is a process which engenders enhancement of capabilities through continuous training and development whilst leaving scope for discretion, creativity and indeterminacy



Clearly, a uniform definition of MD is not readily available. There are, however, some issues that are common, such as the view of MD as a process. Equally, MD is seen as more generic than management training and education and as related to managerial work. For Sisson and Storey (1988), MD involves four underlying individual processes: education, training, development and learning. It covers issues related to the nature of the managerial task and role, systems of management selection, training and development, managerial experience, career management and the link between development and reward systems. By highlighting processes in MD as well as stressing the importance of the nature of the managerial task and role to MD, this view begins to reflect the importance of context to MD and, as such, is closest to the view adopted in this thesis. Importantly, when referring to MD practices in this thesis, the transfer of four generic MD practices is examined. In the literature, practices such as recruitment and selection, training and development, career management, and reward and appraisal are seen as mostly contributing to structuring the behaviour of managers (e.g. Sisson and Storey, 1988; Sonnenfeld et al., 1988; Storey, 1989).

The literature holds different views on the function of MD. Generally MD is treated as a key device to engineer organisational and cultural change (Carter and Lumsdon, 1988; Iverson, 1996; Mohrman and Lawler, 1997; Beer, 1997). Organisations might use MD as part of their change strategy as a tool to reorient the whole organisation, perhaps to become more responsive to customer needs, or as a tool in the pursuit of quality improvements, cost reduction, and profitability (Peters and Waterman, 1982). It is a means of gaining a commitment to changing business objectives (Rainbird, 1994; Doyle, 1995; Brockbank, 1997), and the process of upgrading managerial skills and structuring managerial attitudes (Hendry and Pettigrew, 1992). MD can also be used for “forging a common identity” following a company merger or acquisition (Brockbank, 1997). These differences in the objectives of MD reflect different organisational needs which are closely related to the strategy of the company. It can also be influenced by context, which shapes the understanding of management and MD.

Equally, a number of frameworks have been devised in order to conceptualise a broad array of MD activities. They can be categorised on the basis of their underlying assumptions, focus of activities, and the type of prevalent processes, e.g.



formal or informal. Sources of diversity as well as the underlying assumptions these frameworks are built upon are the topics of the following sections.

The literature describes the traditional approach to MD (e.g. Storey, 1989) as a system which draws input from the organisational environment in the form of manpower plans and organisational diagnoses, and makes outputs in the form of trained staff, and information such as succession plans. There are, however, differences in the assumptions on which this system is based. The competency-based approach to MD, for example, addresses the key issues in management, such as the conception of managerial tasks, skills and competencies (Burgoyne and Stuart, 1976; Collin, 1989; Holmes and Joyce, 1993). The approach draws on the conception of job competency, which has been defined by Boyatzis (1982: 21) as “a generic phenomenon embracing knowledge, skill and even self-image. It refers to what a person can do, i.e. a set of capabilities, not necessarily what a person does all the time regardless of the situation”. This approach advocates that the key task of the organisation is to identify “universal” attributes that should be developed in their managers in relation to their functions (Sparrow and Hiltrop, 1994). Thus it tends to neglect the influence of context on MD.

The contingency approach to MD, on the other hand, is based on the assumption that there are sets of key variables, whether in the product market or in the organisational environment, which make appropriate a particular choice of management development activity. This approach advocates the search for the best practice and stresses different patterns for the MD function. It draws attention to the circumstances in which MD takes place and suggests that some patterns of MD can be effective in one situation, yet ineffective in another. Contextual embeddedness of MD highlighted by this approach is important for the discussion, and it is further reflected in debates concerning the focus of MD and MD processes.

The focus of MD activities is yet another area of differing opinions. The focus might be on the development of a particular set of managerial skills, such as generalist as opposed to specialist skills (Evans, 1990). Alternatively, there may be a “competence focus” which is more about whether MD is for selected individuals or for the entire managerial population in the organisation (Burgoyne, 1988; Osbaldeston and Barham, 1992). The bases of responsibility for MD, that is, whether it is the



responsibility of the individual manager or a personnel function, are also debated. The changing role of the HR function, which becomes more of a service, ultimately pushes responsibility for development down within organisations to line managers and to the individual (Larsen, 1996).

The importance of informal development processes within MD has been brought to bear by the work of Mumford (1987; 1988). The author has differentiated between formal and informal development processes, where formal are “deliberate learning processes arranged through intervention and designed explicitly with the development objectives”. These processes can be planned either by the organisation or by the individual. Informal processes, on the other hand, are those in which development is “the result of a management decision which may have nothing to do with the development of the individual” (Mumford, 1987: 233).

Usually, the literature treats formal MD processes as less influential than informal ones (Penrose, 1980; Carter and Lumsdon, 1988; Storey, 1991; Wilson, 1993). Thus, according to Storey (1989), managers learn mostly through a mixture of accidental and unstructured experiences rather than formal training. Hall et al (1995) point out that much of the development that takes place in an organisation occurs through work or task assignments. Nevertheless, the general conclusion is that MD should combine both formal and informal development, where informal development - learning by experience - should be harnessed by the more formal processes of MD (Mumford, 1987, 1988; Sisson and Storey, 1988; Larsen, 1996).

A number of issues relevant to the topic of this research have been raised in the literature reviewed above. Contextual embeddedness of MD is highlighted by differences in the function of MD in different organisations. Also, MD does not emerge spontaneously but is stimulated by trigger events related to the strategic needs of the company. Any approach to MD adopted by an organisation however, mediates the objective factors and the MD process and outcomes. There is no best way of tackling MD, and approaches to MD adopted by organisations are extremely diverse.

Although some of the literature discusses the contextual embeddedness of MD, generally it tends to ignore the issue. Certainly it has not been paid enough attention

in the literature. Rather, as Storey (1989) contends, the traditional literature about MD has been more preoccupied with giving prescriptions about what should be done for managers where the link between the use of MD practices and outcomes in terms of behaviour and attitudes are something taken for granted. Contextual embeddedness of MD highlights the importance of processes in MD, and it reflects the nature of management in terms of what it means to manage – issues that are crucial for understanding the transferability of MD. The nature of management and its relationships with MD are the topics of the following section.

### **2.3 The nature of management and MD**

The nature of managerial tasks and roles have implications for MD. Ultimately, MD is about the management of managers. This implies that any successful MD should take into account and be based upon a good understanding of what managers actually do in their work. The conception of management is fundamental to this process. However, the role of managers itself does not yet have a convincing functional or behavioural definition. Debates in the literature focus on the conception of the role that managers are expected to undertake and what constitutes the managerial task (Mintzberg, 1973; Kotter, 1982; Stewart, 1984; Sisson and Storey, 1988; Whitley, 1989).

The first attempts to construct a generic description of managerial activities, such as in the work of Fayol (1949: 5-6), claimed to distil the essence of managerial activity into a few basic tasks and procedures which formed the basis of distinctive, general skills which are appropriate to managerial posts. He described the process of management: “to manage is to forecast and plan, to organise, to command, to co-ordinate and to control”. The assumption is that organising is governed by universal principles and the managerial task is essentially always very similar.

This view has been challenged by later developments in the field. A number of sociological studies using qualitative methods have made a considerable contribution to the understanding of actual managerial behaviour (Mintzberg, 1973; Stewart, 1976; Kotter, 1982; Holmes and Joyce, 1993). These studies revealed a number of departures from conventional assumptions about effective managerial behaviour.



They also point out the variations from conventional notions of appropriate developmental processes. Based on empirical studies, the works of Minzberg (1973) and Kotter (1982) show that the nature of the general manager's task is far more complex than is often supposed. The conclusion is that the essential characteristic of a general manager's work is reactive and fragmented. Equally, a variety of studies aiming to present a common pattern of managerial work shows managers being responsive rather than involved in any kind of analytical activity (Stewart, 1976; Mintzberg, 1973). Managerial tasks and problems are seen as dynamic and developing (Stewart, 1984). They are interdependent, contextual and systemic, and relatively unstandardised. They combine both the maintenance of, and alterations to, administrative structures. Finally, they rarely generate visible and separate outputs which can be directly connected to individual inputs (Whitley, 1989). These characteristics of managerial tasks highlight the importance of the context in which they are to be performed. They also imply that managerial tasks and problems cannot satisfactorily be resolved by rigid procedures and programmes.

The importance of context has been reflected in the organisationally-specific nature of managerial activities (Kotter, 1982; Evered and Selman, 1989). Stewart (1984) describes managerial work as inherently collective and interdependent. The effectiveness of management flows from the level of partnership that is created between managers and the people with whom, through whom, and by whom the job gets done and results are generated. The interdependence of managerial tasks means that these are closely linked to their organisational contexts and cannot easily be abstracted from them. Whitley (1989) argues that the demands of one managerial job can differ significantly from those of another, even in the same organisation; so too can the demands of apparently similar jobs in different organisations. The nature of any particular role or problem is dependent upon the context in which it occurs, in the sense that if this changes, so too does the task (Mintzberg, 1973; Kotter, 1982; Larsen, 1996).

The interdependent and contextual nature of managerial problems influences managerial skills. Managerial skills have to incorporate considerable knowledge of organisational contexts and networks. They also differ considerably from other sorts of expertise in the sense that they are less specific to particular problems and more restricted to particular organisations and industrial sectors than other practitioners'

skills (Whitley, 1989). This implies that managerial skills rely on a broad, diffuse knowledge base which includes extensive local knowledge, i.e. understanding of particular organisational and industrial circumstances (Kotter, 1982; Stewart, 1984; Ojala, 1992) as well as cultural sensitivity (Evered and Selman, 1989). The ownership of managerial skills is also more organisational and less individual (Stewart, 1976; Stewart, 1984). As organisations and circumstances change, so too do managerial tasks and problems and hence the applicability and utility of particular skills.

This broad view of managerial activities as discretionary and organisational has several implications for MD. First, it highlights the importance of the particular circumstances in which the work gets done (Evered, and Selman, 1989; Doyle, 1995). In some organisations, there would appear to be a demand for managers who are able to break out of the organisation's routines, and to demonstrate behavioural characteristics associated with innovation and enterprise. Whereas in others this would be inappropriate, and the requirement remains one of smoothly administering the system laid down at headquarters (Kotter, 1982; Stewart, 1976; Whitley, 1989). Specialist knowledge may turn out to be particularly important in one situation, when in another it is rather more general skills that count. Hence where there is a variation in organisational structures and in the growth paths which different organisations have followed, there will be important variables influencing the MD modes which are appropriate (Sisson and Storey, 1988). It is therefore important to investigate the influence of context on the nature of MD practices in organisations.

Second, this makes the generalisation of successful practices in one situation to other contexts limited. It also limits their susceptibility to general formal techniques and procedures (Stewart, 1984). Larsen (1996: 658) argues that "the belief in universal managerial practices is being challenged by recognition of the situational and task specific distinctive character of managerial processes ... what works well in one situation may well be a failure in another situation". Managerial problems are not easily abstracted from their contexts for solution with general models and procedures (Kotter, 1982). Therefore, it is of interest to examine the influence of context on the ways in which MD practices are transferred and received in MNCs.



The importance of processes in MD is further highlighted by management functions. Management function is considered here in terms of what management is needed for. Penrose (1980) identifies the basic function of management as the construction, maintenance and improvement of an administrative system which co-ordinates and transforms human and material resources into productive services. The literature provides a number of accounts, which aim to relate the behaviour of managers to the structural and functional imperatives of management. These works seek to show the links between the visible “practices” of management and their underlying “functions” such as controlling labour and managing the contradictions between social production and private appropriation (Hales, 1986). Thus, Tsoucas (1989) presents an analysis where “casual powers”, deriving from management’s place in the capitalist industrial structure, enable the exercise of management functions, which in turn shape management task characteristics and ultimately inform the actual roles. This analysis has highlighted the importance of power and authority for management activities. It also draws attention to the influence of the broader context upon the way management is conceived of within organisations.

Managers’ roles and practices are deeply embedded in the social and cultural environment (Child and Kieser, 1979; Handy et al. 1988; Evans et al., 1989; Stewart et al., 1994). Thus, the meaning attributed to management by social actors is important to its practice. Scarbrough (1998) stresses the importance of “the assimilation of management norms by a wide range of social constituencies and its implications for management practices”. He argues that: “management practice is mutually constituted by both the functions it encompasses and the meaning it mobilises” (Scarbrough, 1998: 697). This implies that there is a need to see the evolution of management in terms of the political and economic history of different nations (Dore, 1990), Lazonick et al., 1997). Equally, studies need to be bracketed by the cultural specificity of management (Laurent, 1983; Evered et al. 1989; Adler et al., 1995).

The issues raised above are very important in the study of MD practices within MNCs. The highlighted interdependent and contextual nature of managerial activities and tasks, and the social and cultural embeddedness of managerial roles and practices, limit the generalisability of MD models and practices. It is therefore important to question how context and other factors can influence the nature of MD

in MNCs and the ways in which MNCs seek to transfer practices to their subsidiaries.

The relationship between MD and factors that shape its perception and use in organisations is discussed in the following sections. For the purpose of analysis, it is useful to distinguish between business strategy related factors and contextual influences. Section 2.4 considers these two forms of influence.

## **2.4 Factors that shape the perception and use of MD**

The literature identifies a number of factors which influence the way MD is used in organisations and for what purposes. Initial works concentrated on identifying a link between business strategy imperatives and MD. These views have since been extended to include the influence of context on MD.

### **2.4.1 Strategic MD**

Following the evolution of personnel management into human resource management (HRM) and the appreciation of the mutual relationship between HRM and business strategy, MD has become a strategic issue within the context of HRM (Schuler, 1987b; Lengnick-Hall and Lengnick-Hall, 1988; Tyson and Witcher 1994). The core specification for HRM is coherence of personnel practices, and their adaptedness to the organisation's strategy (Formbrun et al., 1984; Hendry and Pettigrew, 1990; Milliman, et al., 1991; Blackburn and Rosen, 1993). Equally, different aspects of MD, such as recruitment and selection, performance appraisal and compensation, career management, and training and development are also expected, it is argued, to be internally consistent and geared towards supporting the company business perspective (Heijltjes et al., 1996). This implies that MD should be viewed as a system, that is, the set of policies and practices an organisation uses to ensure its managerial staff meet its human resource requirements. This also highlights interdependencies between different MD practices.



The literature argues that the internal integration of MD practices should further be supported by the integration of business strategy, HR strategy and MD (e.g. Rainbird, 1994; Doyle, 1995; Larsen, 1996). A resource-capability view (Pfeffer and Salancik, 1978; Hedlund, 1981; Martinez and Ricks, 1989; Boxall, 1996) advocates that HRM systems are dependent on the cultivation of the firm's stock of knowledge and expertise. Furthermore, the management of personnel should be in line with the generic strategy pursued, since the objectives and required employee characteristics of each of the generic strategies are different (Porter, 1985; Arthur, 1994; Schuler, 1992, 1990, 1989). Generic strategy typologies were developed in the works of Porter (1980) and Miles and Snow (1978, 1984). Though there is no direct analogy between generic strategies outlined by Porter and Miles and Snow, the understanding is that the characteristics of each generic strategy lead to specific consequences for the design of the HRM system. Therefore, every generic strategy determines the function of MD because it specifies the requirements for the managerial labour market, organisational structure and the managerial systems adopted by the company.

The literature, which is based on the view presented above, maintains that different external competitive strategy profiles are associated with different internal HRM policies. The critical managerial task therefore is the ability to align the formal structure and the HR systems so that they drive the strategic objectives of the organisation (Formbrun et al., 1984). A number of attempts have been made in order to find support for the idea of a generic strategy-MD systems link (Sonnenfeld et al., 1988; Heijltjes et al., 1996). For example, Sonnenfeld et al. (1988) hold that diverse approaches to executive staffing and career systems exist because the basic business strategies of industries differ. These works have questioned the reliance upon universalistic approaches to the executive labour market and have emphasised the need to appreciate different purposes, which inspire diverse but equally appropriate approaches to MD.

The contingency approach to MD has further been strengthened by the development of another strand in the literature which advocates the need for an external and internal "fit" in the relationship between HRM and the stage within the organisational life cycle (Lengnick-Hall and Lengnick-Hall, 1988; Milliman, et al., 1991). The stage of the life cycle of the organisation indicates the stage of



development of the company which in turn has an impact on the corporate strategy, and, consequently, on the HRM system (Sorge, 1992). This approach proposes that HRM strategies are influenced by the firm's stage in the internationalisation process. The underlying logic is one of fit and flexibility in which HRM strategy is matched to the prevailing international business imperatives, which are defined by product-market realities (Adler and Ghadar, 1990; Milliman et al., 1991).

The major limitation of situational-contingency theories discussed above is that although they discuss the influence of context on MD to some extent, they focus too much on the search for the right "fit". That fit might be either the external fit between business strategy and HRM, an organisation-environmental fit, or the internal fit between the diverse HRM functions. The point being that they all neglect the processes of strategy formation as well as political aspects within the organisation. This, as Hendry and Pettigrew (1990) point out, leads to more prescriptive theorising and stereotyping of managers.

Contextualisation literature, on the other hand, considers both the inner context of the organisation (culture, structure and politics) and the outer context from which the organisation operates (business, economics, political and societal) (Hendry and Pettigrew, 1990, 1992). The process by which HRM emerges is fundamental to this analytical framework.

Broadly, the line of argument, according to the contextualisation approach, is as follows. Strategic management starts to happen when an organisation's managers are forced to address increased complexity in their external and internal work environment. Changes in an organisation's business strategy are triggered by major technological or product-market changes, or changes in the external / internal labour markets (Evans and Lorange, 1989). An organisation's business strategy has an influence and affects the complexity of the internal and external environment. Finally, adjustments in strategy lead to a redefinition of management tasks, and are often accompanied by structural, organisational and cultural change (Hendry et al., 1988; Evans et al., 1989; Hendry and Pettigrew, 1992; Tyson et al., 1994). Therefore changes in the context, both the wider sociological context and the organisational context, carry significant implications for MD, both in terms of shaping its perception and in its use within an organisation (Storey, 1990).



Contextualisation literature draws attention to the role and organisation of HRM being itself conditioned by contextual factors. Hendry and Pettigrew (1992: 139) argue that “while changes in HR practice can be conceived as a response to business strategy the scope of the HRM function to respond effectively is limited by its role and resourcing ... two firms facing the same set of external circumstances will not respond in the same way or evolve HRM to the same degree”. These limiting factors are peculiar to the inner context of an organisation and involve HR systems, philosophy and management organisation. In addition, other factors such as organisational history, the role of individuals in the change process, and the role of ideas and models of personnel management, are all significant determinants. It is thus important to examine and compare the influence of the internal organisational context on the ways in which the multinationals’ MD systems involved in this study respond to challenges their subsidiaries face from operating in a Russian context.

The literature helps to develop a number of approaches to distinguish the different roles performed by the HR function. Thus, for example, Storey (1992) makes a typology using two dimensions, such as autonomy and level of intervention. Another approach is based on differentiating the role of the HR function by using such dimensions as integration and devolvment of HRM (Brewster and Larsen, 1992). Integration refers to the degree to which HRM issues are considered a part of the formulation of business strategies. Devolvment, on the other hand, is the degree to which HRM practice involves and gives responsibility to line managers rather than personnel specialists. Support has been provided in the literature for the idea that organisations with an integrated and strategic approach to MD produce the best results in terms of employee attitudes and commitment (Burgoyne 1988; Torrington, 1989; Schuler, 1990, 1992; Freedman, 1991). Also, scholars argue that in order to achieve MD objectives, the nature and aims of MD should be seen to encompass line management (Storey, 1989; Fletcher and Williams, 1992; Sheard, 1992; Fletcher, 1993; Brewster and Larsen, 1992).

In its pursuit to generate typologies, the literature tends to take for granted that high levels of integration and devolvment are advantageous. It is assumed that when strategic integration and decentralisation exist, HRM practices are employed. However, this does not necessarily have to be the case. First, even when the overall HRM strategy is integrated with the generic strategy pursued, and decentralised to

lower levels within the organisation, it does not automatically imply that the HRM practices are employed in an integrated way at the point of application (Heijltjes et al., 1996). Alternatively, a high degree of devolvment is not necessarily a reflection of a very conscious belief in the value of HRM. Emphasis on devolvment in an organisation which lacks top management commitment and proper structures to carry it down places too many demands on line management (Hendry et al., 1988; Heijltjes et al., 1996). Therefore, it is important to study the actual content and implementation of MD in organisations.

It is not only the internal context that influences the way MD is employed in organisations. A number of external factors, including national culture, have an impact on the appropriateness of the actual degree of integration and devolvment (Brewster and Larsen, 1992). Stewart et al. (1994, p.11) contend that, though, “certain recurring patterns of behaviour are expected to emerge among the managers based on the character of the product, the nature of the market and so on, beyond the boundaries of the sector, there are other socio-political forces at play”. Major determinants of the managerial role, such as socialisation, education, vocational training, and social and organisational structure, are associated with distinctive national solutions and ways of coping with the challenges presented by the business environment (Stewart et al., 1994). Thus, what is ideal in one cultural environment might be very unsuccessful in another environment.

There are a number of issues raised from the literature reviewed in this section which are important to the thesis. The importance of the business strategy – MD link has been acknowledged in the literature. Business strategy shapes the perception and use of MD in the organisation. The next advance is to look at how MD in multinationals is influenced by features of the industry sectors in which they operate, as well as market opportunities and levels of competition they face. Contextual embeddedness of MD necessitates closer examination of the actual implementation of MD in the organisation. Both the content of MD and the ways in which it is employed in the organisation are influenced by contextual factors related to both inner organisation context and wider societal context.



The focus of the following sections is the influence of contextual factors on MD. It begins by looking at contextual factors related to the inner organisational context, and then moves on to discuss the wider business environment.

### **2.4.2 Organisational context**

The existing literature considers the internal organisational context as a very powerful factor that shapes MD. The review below discusses the features of organisational context which are most responsible for the ways in which MD has been developed and used in the organisation. It also draws attention to the pattern of growth which the organisation has come through in obtaining its current internal structures and policies.

According to Hendry et al. (1988), the key factors which distinguish organisational contexts are the structure of the organisation and its culture, the specific technology used, and the incentives and control systems adopted. In other words, this set of factors concerns the working of the organisation itself, features of its internal labour market, and its policies and personalities. These organisational variables express certain role expectations for managers, and thus specify the demands and constraints placed on them (Stewart et al., 1994). Perrow (1986) points out that every organisation ensures that people's behaviour complies with expectations by controlling the premises underlying decision-making or limiting the range of alternative courses of action available for consideration. The influence of inner organisational context may be so strong that there could even be variations in the type of HRM being used in different parts of the same organisation (Tyson et al., 1994).

Among different features related to the organisational context, including organisational structure and technology, the literature identifies the organisational culture as the most significant influence in terms of specifying the way MD is employed in the organisation (Storey, 1989). Thus, organisational culture can actually facilitate or inhibit MD (Antonacopoulou, 1997). Iverson (1996) argues that it is not certain that an organisation which needs innovation and experimentation, for example, does in fact support or reward this kind of behaviour: the organisational

culture or norm system can actually discourage or punish innovative behaviour as well as employee acceptance of organisational change. Hendry et al (1988) maintain that the most critical factor influencing MD is the presence of a positive culture, which is expressed through top management commitment and by a company philosophy supportive of MD. MD also requires adequate resources and structures, and a positive image in the company in order to be effective (Hendry, 1990).

The importance of the pattern of growth and development of the organisation to its internal structures and policies has been widely debated in the literature. The main view is that firms are constrained by their histories and their organisational legacies (Child and Smith, 1987; Hendry and Pettigrew, 1992; Edwards, et al., 1996; Kamoche, 1996). According to Bartlett and Ghoshal (1989: 41), “many forces shape a company’s configuration of assets, distribution of responsibilities, dominant management style, and ingrained organisational values. But those that seemed most influential in the companies we studied were the impact of leadership on corporate norms and priorities, the influence of home country culture on underlying values and practices, and the powerful influence of organisational history”. Long-established routines and the ways everyday organisational problems are resolved and understood affect the feasibility of changes in MD. The nature of the improvement and redirection of resource combination and use depends on the nature of the current organisational system and how it is being maintained and reproduced (Whitley, 1989).

Though some of the literature acknowledges that MD should not be isolated from the broader dynamics of organisation, still not enough attention is paid to the research of issues concerning the content of learning and the structural impediments to appropriate MD. Also, there is insufficient attention to the linkages between MD and other organisational features. Sisson and Storey (1988) argue that management development is treated in relative isolation and viewed as a neutral tool. The impact of contextual influences are neither considered nor well understood, especially the extent to which they contribute to the success or otherwise of the development process (Doyle, 1995). Major failures in MD approaches occur when they do not adequately take into account a host of organisational variables such as managerial attitudes, philosophy of management adopted by the organisation and organisational structure, which ultimately determine the direction and likely impact of management



efforts (Storey, 1990). Organisational factors, in fact, shape the perception of MD activities and mediate the way MD is implemented. They are also responsible for actual practices falling short of the ideal. Therefore, it is beneficial to examine the extent to which a change in the perception of MD can be resisted by current management systems and style, or indeed other cultural and structural barriers which may make transfers of new knowledge difficult.

The ways in which people are managed reflects not only the policies and practices internal to the organisation, but also external institutional factors. This is the topic of the Section 2.4.3.

### **2.4.3 External factors that shape the perception and use of MD**

The following sections discuss the influence of external contextual factors on the behaviour of an organisation. These sections are particularly important in this research because they show the influence of institutional and cultural context on the ways in which MD develops in the organisation. Also, they highlight the influence of institutional and cultural context on the ways in which MD is transferred and received in MNCs. The influence of external contextual factors on the perception and use of MD has been conceptualised from different perspectives. Very broadly, these views fall into two categories, namely culturalist and institutional approaches. These approaches try to explain the different behaviour of organisations in terms of cultural and institutional factors.

#### ***2.4.3.1 Institutional factors that shape the perception and use of MD***

The standpoint of the institutional theory is that the practices employed by organisations are shaped by the institutional environment in which those organisations function (Selznick, 1957; Meyer and Rowan, 1977; Zucker, 1986). According to this view, organisations tend to incorporate organisational forms, structures and practices that are socially legitimate – that is “isomorphic” or consistent with the regulatory, cognitive and normative institutions operating in the environment (DiMaggio and Powell, 1983).

Isomorphism is based on the assumption that the emergence and structuration of an organisational field is a result of the activities of a diverse set of organisations (Giddens, 1979). It in turn promotes the homogenisation of these organisations, and of new entrants as well, once the field is established. Meyer and Rowan (1977) contend that as rationalised states and other large rational organisations expand their dominance over more arenas of social life, organisational structures increasingly come to reflect rules institutionalised and legitimated by and within the state. As a result, organisations are homogeneous within given domains and increasingly organised around rituals of conformity to wider institutions.

DiMaggio and Powell (1983: 152) have identified three “mechanisms through which institutional isomorphic change occurs: 1) coercive isomorphism that stems from political influence and the problem of legitimacy; 2) mimetic isomorphism resulting from standard responses to uncertainty; and 3) normative isomorphism, associated with professionalisation”. Thus, the existence of a common legal environment affects many aspects of an organisation’s behaviour and structure, as do transactions with agencies of the state. The centralisation of capital and the co-ordination of philanthropy all support the homogenisation of organisational models through direct authority relationships.

Furthermore, models may be diffused unintentionally, either indirectly through employee transfer or turnover, or explicitly by organisations such as consulting firms or industry trade associations. Universities and professional training institutions are also important centres for the development of cultural and occupational norms among professional managers and their staff. To the extent managers and key staff are drawn from the same universities and filtered on a common set of attributes, they will tend to view problems in a similar fashion, see the same policies, procedures and structures as normatively sanctioned and legitimated, and approach decision making in much the same way (Kanter, 1989). When qualification systems and career patterns differ between countries, “it can be assumed that the principles which guide managers in (these) countries will also differ – as will the managers’ ensuing actions and behaviour” (Stewart et al., 1994: 10). Therefore, it might be possible to identify common features in management and MD practices employed by organisations in society as well as the mechanisms responsible for such structuration.



Most of the analysis available in the literature focuses on differences in particular aspects of an economic organisation and how contextual, especially institutional, factors might account for these differences. Recently, studies of the processes by which particular systems of economic co-ordination and control developed their distinctive features in different countries have appeared (Chandler, 1990; Albert, 1993; Lazonick, 1997; Dore, 1997).

Thus, the focus of interest of the societal effects school (Maurice et al., 1986; Sorge, 1991, 1996) is not social actors as such, but rather the linkages between societal contexts, institutional structures and economic activity. This approach emphasises the differences in ways in which social groups are constituted inside and outside of organisations, as well as their continuous competition for control of resources. Formal organisations, in this view, are seen as competing for control over priorities and resources than as stable authority hierarchies establishing distinctive routines and procedures separate from the rest of the society (Whitley, 1999). The importance of this analysis has been reflected in its implications to HRM and MD, given that societal effect diversifies the meaning of what HRM comprises in different countries (Hendry, 1996).

The role of social actors in structuring practices has been given more attention in another approach termed the varieties of capitalism approach. This draws attention to the ways in which firms co-ordinate their endeavours, elucidating the connections between firm strategies and the institutional support available for them, and linking these factors to patterns of policy and performance. The basic idea is that the institutional structure of a particular political economy provides firms with advantages for engaging in specific types of activities (Hall and Soskice, 2001; Zysman, 1994). Thus, in some political economies, firms make more extensive use of non-market modes of co-ordination to organise their endeavours, while in others firms rely mainly on markets to co-ordinate those endeavours. The availability of these different modes of co-ordination conditions the efficiency with which firms can perform certain activities, thereby affecting the efficiency with which they can produce certain kinds of goods or services. In short, the national institutional framework provides nations with comparative advantages in particular activities and products, and therefore, may lead to cross-national patterns of specialisation, providing the institutions relevant to these activities are not distributed evenly across

nations (Hall and Soskice, 2001). This further supports the argument that there might be barriers related to differences in institutional contexts to transfers of practices developed in one context to another.

By according firms a central role and viewing them as actors seeking to develop and exploit their capabilities for developing, producing, and distributing goods and services profitably (Teece and Pisano, 1998), the varieties of capitalism approach also highlights the criticality of the quality of the relationships the firm is able to establish, both internally, with its own employees, and externally, with a range of other actors that include suppliers, clients, collaborators, stakeholders, trade unions, business associations, and governments. This approach not only highlights key institutions affecting the behaviour of the firm in society, but also maintains that it is possible to identify features of dominant firms in each society, given that in any national economy, firms gravitate towards the mode of co-ordination for which there is institutional support.

The view that economic relationships and activities are socially constituted and institutionally variable, and that the nature both of the actors engaged in them and of their outcomes vary significantly between societal contexts is used by another framework. This framework, termed the national business systems approach and developed by Whitley et al. (1992), highlights the importance of the national institutional context and thus allows the consideration of a host of institutional, as well as cultural variables while analysing managerial and organisational behaviour, and the resulting industrial performance. The line of argument is as follows.

The business system of a country is defined as the institutionally embedded practices and value orientations which characterise both the internal organisation of firms and their relation with their external environment (Whitley et al., 1992). Financial ownership and stability, educational systems and product regulatory frameworks are all part of the distinctive national industrial environment, which has its effects on the economic activity of each country. Dominant social institutions in a country influence the functioning of firms and markets. In addition, traditional cultural values also affect managerial processes and affect economic performance. This is because institutionally embedded value orientations are rooted in the national culture. The role of the state and financial sectors, national systems of education and training, and



diverse national cultures, employment expectations and labour relations create “national recipes”, each effective in their particular context but not necessarily elsewhere. These national business recipes carry with them a “dominant logic of action”, and influence management practice. This logic of action is reflected in specific management structures, styles and decision-making processes, growth and diversification strategies, inter-company market relationships and market development. Different patterns of economic organisations tend to be a product of the particular institutional environments within the various national states (Whitley et al., 1992; Lazonick et al., 1997). Therefore, it is interesting to examine the influence of national business systems on MD practices adopted by dominant firms in the two countries involved in this research.

Whether national business systems change over time has been debated extensively in the literature. Initially, the arguments have been that because national business systems are constituted by the social-institutional environment in which they are embedded, they can be considered fairly stable over time (Whitley et al., 1992). Recent studies (Whitley, 1994; 1999b; Sorge, 1996; Streeck, 1997; Ferner and Varul, 1998; Lane, 1999; Smith and Elger, 1999), however, have shown that globalisation can have a profound effect on business systems. These authors suggest different possible scenarios of change, which occur in domestic business systems as a result of the activities of multinationals. Given that this research is concerned with the process of transfer of practices within MNCs, it is interesting to examine whether there are implications of the operations of MNCs in Russia for its national business system.

#### **2.4.3.2     *Cultural factors that shape the perception and use of MD***

A discussion of the influence of culture on MD is relevant in this research, given that it further diversifies the meaning of management in different societies, and therefore affects management and MD practices adopted in a given society. The concept of cultural effect means that societies vary in the arrangements of which their institutions and organisations are composed, and these variations reflect their distinctive traditions, values, attitudes and historical experiences. Hofstede (1993: 5)

describes culture as the “crystallisation of history in the thinking, feeling and acting of the present generation.”

The culturalist approach maintains that cultural differences relating to social institutions and beliefs manifest themselves in different understandings of management (Crozier, 1964; Hofstede, 1980; 1993; Trompenaars, 1992; Trompenaars and Woolliams, 1999). These differences in the understanding of the conception of management would naturally influence managers' actions. The values, beliefs and assumptions of the prevailing culture, as well as personal characteristics, shape behaviour at work and influence managerial thinking and relationships in every society (Laurent, 1983; Adler et al., 1995). Laurent (1983) suggests that the nationality of a manager has three times as much influence on his or her managerial assumptions than any other variable. Cultural factors are regarded as potential influences on how managers see their roles and what is expected of them (Stewart et al., 1994). This means that the practice of management is determined by the meaning that it carries for those who manage and are managed in a given society. Therefore, in order to address the issue of the transferability of MD practices, it is important to examine the interaction between culture and management practices in each society.

A number of frameworks have been developed in the literature in order to capture the differences in managerial behaviours in different societies (e.g. Hofstede, 1980; Trompenaars, 1992). An important contribution to the literature is the work of Hofstede (1980) in which he postulates four dimensions of the consequences of culture which are useful in analysing and understanding managerial behaviour. These four dimensions, based on the examination of dominant value patterns across countries, are: power distance (characterises the degree to which power inequality in relationships is accepted in a society); uncertainty avoidance (characterises the degree to which the tendency to eliminate / avoid uncertainty determines actual behaviour); individualism / collectivism (characterises the preference to function either as an individual or within a group); and masculinity / femininity (shows predisposition to display masculine characteristics, e.g. assertiveness, dominance, as opposed to female characteristics such as tenderness, care, etc.). According to the author, culture patterns are rooted in the value systems of substantial groupings of the population, and are stabilised over long periods of history. Therefore, they have a potential influence not only on the managerial decision making process but also on



the perception of the managerial role within a society. This work, however, has several limitations. The first is related to the fact that the dimensions identified by the author are basically statistical constructs based on clusters of responses without in-depth understanding of the process behind the culture configuration. Furthermore, the author's insistence on the persistence of national cultural features over time has been criticised (e.g. d'Iribarne, 1991).

The link between culture and value systems and their influence on organisational behaviour and, therefore, management practices have also been widely debated in the literature. Individuals learn values such as respect for privacy or freedom of speech from their society, and although they differ in the ways they translate these values into action, in general, differences in attitudes and behaviour of managers reflect the values their cultures hold dear (Adler et al., 1995). National culture also influences the corporate culture of a company in that the latter reflects national cultural values, beliefs and management tactics, which affect the behaviour of people within the work setting (Adler, 1986). Furthermore, national culture manifests itself in organisational behaviour, and is crystallised in organisational structures and national institutions. Laurent (1989) argues that different assumptions about the nature of management, authority, structure, and organisational relationships shape different value systems and get translated into different management practices, which in turn reinforce the original assumptions. Therefore, even though firms might become more similar at the macro level in terms of structure and technology, cultural and national uniqueness is maintained in terms of attitudes and behaviour.

All national environments exhibit a number of important characteristics, which affect the workings of the organisations within them. The presence of natural resources, the geographical position of the country, its historical heritage and relevant international political actions all play a significant role in shaping a national cultural environment (Ebster-Grosz and Pugh, 1996; Dore, 1990). In turn, "nationally influenced behavioural characteristics become an ingrained part of each company's "way of doing things" and shape its international organisation structure and processes" (Bartlett and Ghoshal, 1989: 42).

The importance of the discussion presented above is twofold. First, it highlights factors responsible for differences in management systems and practices among

different nations. Second, it helps to address the issue of the transferability of management practices from one context to another.

The effectiveness of MD systems is highly dependent on the national context within which the organisations operate. Management of employees within organisations is constrained by the characteristics of the cultural and institutional context. National business characteristics and culturally grounded values influence approaches and models of MD. Major determinants of management roles are associated with distinctive national solutions. Thus, any approach to MD not only reflects its own particular set of underlying values, but also the different configurations of educational, political and economic institutions that impinge upon management and the precise understanding of what “management is all about” (Sparrow and Hiltrop, 1994). Distinctions in MD reflect matters of relative importance and national emphasis. This implies that models for MD developed in one culture may not easily translate to another because of the different traditions and values of the management and workforce.

#### **2.4.4 Influence of contextual factors on the transferability of management and MD practices**

The importance of environmental influences on management was highlighted by the work of Cool and Lengnick-Hall (1985) who suggested that research should treat the organisation as an open system. This means that the environmental context is a significant factor affecting the success of any management approach, and has particular “relevance for the transferability of management practices from one country to another” (Cool and Lengnick-Hall, 1985: 2).

MD practices are meaning and value based, as well as knowledge based. Hence, the success of their transfer is determined by the transferability of meaning and values, in addition to the transferability of knowledge (Child and Kieser, 1979). Organisational members are carriers of the institutionalised knowledge of the society and, as such, tend to design and employ practices that are consistent with the institutional environment (Selznick, 1957). When practices are transferred across



boarders, they may not “fit” with the institutional environment of the recipient country which, in turn, may be an impediment to the transfer (Kostova, 1999).

This conclusion challenges the effectiveness of any universal conceptualisation of MD. It also makes it possible to question some basic concepts of the Anglo-Saxon literature since they are built on assumptions that are rooted in the US and UK national cultures and institutional contexts (Heijltjes et al., 1996). Thus, previous research has shown that the Anglo-Saxon model of MD may not fit comfortably with the reality of HRM in other countries because of contextual factors (Brewster and Larsen, 1992; Brewster, 1993). Laurent (1986) has shown that the concept of management and organisation may vary significantly from one national culture to another, even among employees within the same MNC. A similar argument is used by a number of writers (Evans et al., 1989; Larsen, 1996; Lazonick et al., 1997) who point out that deeply rooted “one-best-way” thinking has in some instances been shattered by the awareness that there are different and equally effective approaches to management and organisation. It is important to research the relationship between different components of MD and features of national business systems which may either stimulate or dampen the adoption of MD policies. Equally, more empirical research is needed in order to improve the understanding of the patterns of relationships that developed when people from more than one culture interact within a work setting (Hendry, 1996).

At the same time, MD research suffers, according to contemporary scholars, from several gaps which, it is claimed, are due to the methodology utilised (see, for example, Storey, 1990; Stewart et al., 1994). A research gap exists within the international business and HRM academic literature as a result of a lack of contextual analysis of MD processes. An analysis of management style and system reinforces the need for the theoretical development of research methodologies that address these complex issues.

Until recently, however, most of the studies in this area have utilised surveys with the purpose of generating typologies (Mumford, 1987). Thus, according to Stewart et al. (1994), a methodological problem in studies of managerial behaviour is that there is no systematic analysis of the impact of context on individual management jobs. Equally, Sisson and Storey (1988: 7) maintain that in order to address the issue it is

“necessary to explore the perceptions and concerns of managers whose social constructions help form the organisation’s reality.” Nevertheless, as Cool and Lengnick-Hall (1985: 19) stress, “much lip service has been paid to open system analysis, yet most research efforts adopt a cybernetic or black-box approach at best. Until we are unable to fully assess organisations and their environmental interactions simultaneously, we will be unable to fully assess the issue of transferring certain systemic properties from one organisation to another”.

## **2.5 Conclusions**

The aim of the discussion of MD above is twofold. First, it highlights the contextual embeddedness of MD practices, and secondly, it identifies a number of shortcomings related to the lack of contextual analysis of MD and the process of the transfer of MD practices. A number of important issues have been raised by the literature reviewed in the chapter. The main conclusion is that the process of transferring MD practices within multinationals should be analysed within the context in which it takes place. There are a number of explanations as to why it should be done this way.

Contextual embeddedness of MD practices is anchored in the nature of management and it has been reflected in the interdependent and contextual nature of managerial activities and tasks. Therefore, the organisationally-specific nature of managerial activities makes generalisability of successful practices in one situation to other contexts limited. It also limits the susceptibility of such practices to general techniques and procedures, and stresses the importance of processes in MD. Furthermore, the literature has addressed the issue of the social and cultural embeddedness of managerial roles and practices, thus further questioning the applicability of general universal MD practices to structuring managerial attitudes and behaviour.

The literature also helps to identify those factors that shape the perception and use of MD practices. Factors related to business strategy, inner organisation context and wider societal context have been reported as having a strong influence on the structuring of MD. The argument available in the literature is that distinctions in MD between different countries reflect matters of relative importance and national



emphasis. The evidence is that the effectiveness of MD systems is highly dependent on the national context within which the organisations operate, and national business characteristics and culturally grounded values do influence approaches and models of MD. MD practices are considered meaning and value based, as well as knowledge based. Therefore, models for MD and MD practices developed in one culture may not easily translate to another because of the different traditions and values of the management and workforce.

The literature also indicates the important role of the national institutional environment in the ways in which it might affect the transfer process. When practices are transferred across borders, they may not fit with the institutional environment of the recipient country which, in turn, may be an impediment to transfer. Furthermore, the existing relationship between different components of MD and features of national business systems may either stimulate or dampen the adoption of MD practices.

Although contextual embeddedness of MD has been touched upon in the MD literature, it has not been paid enough attention. A number of gaps have been identified in the literature in the review presented above, the majority of which were due to the methodology utilised. By identifying key issues and research themes, the review of the literature helps to formulate the research questions to be addressed in this study which focuses on the process of transferring MD practices within MNCs.

The key research question, which is addressed in this study, asks to what extent it is possible to homogenise managerial behaviour across the world. More specifically, the research aims: 1) to examine the influence of institutional context on the nature of MD practices and the ways in which MD practices develop; 2) to examine the influence of institutional context on the ways in which MD are transferred and received in MNCs; and 3) to examine other factors shaping MD practices and their transfer process in MNCs. These research questions suggest that MD should not be analysed separately from its context. The next chapter discusses how this approach has been reflected in the framework of this study.

---

---

## *CHAPTER 3: The process of transfer of MD practices within MNCs*

---

---

### **3.1 Introduction**

The thesis is concerned with the process of transferring MD practices within multinational companies. The literature review in the previous chapter identified a number of issues relevant to the understanding of this process and the key influences on it. The contextual embeddedness of MD practices highlighted in the literature implies that the process of transfer should be analysed within the context in which it takes place. Furthermore, the influence of context should be considered at different levels, including international, national, and organisational. Context influences the ways in which MD practices develop in the organisation as well as the ways in they are transferred and received in MNCs. The literature review also highlighted the importance of MD processes, that is the ways MD is actually employed in the organisation. Finally, a number of gaps in the literature related to the methodology used to study MD and the process of transfer of MD practices have been identified.

This chapter develops a research model which seeks to integrate the different forces and influences on the process of transfer of MD practices within MNCs in order to elaborate a framework to carry out the study and answer the research questions. The research aims to answer the question of how context influences the nature of MD practices and the ways in which MNCs seek to transfer practices, as well as other factors in the transfer to their subsidiaries. The model of transfer introduced in this chapter is built on the analysis of the literature and integrates the various frameworks available in order to highlight the importance of structural and processual elements for successful transfer. The model also stresses the importance of the analysis of internal organisational dynamics in the transfer process. This is built on the argument from the literature that the process of transfer does not stop with the introduction of formal practices but goes beyond it, requiring



negotiation in order to internalise the transferred practices (e.g. Kostova, 1999). Therefore, it is important to focus on the subsidiary's internal dynamics, which are the result of the process of change following the transfer of management systems and practices from the parent company to a subsidiary in another country. By means of this analysis it is possible to understand and explain why there may be tension in the process of transfer, and what bearing the different influences might have.

The chapter is organised as follows. First, the nature of MNCs is discussed and the importance of transfer of practices for multinationals is stressed. This is followed by a discussion about contextual influences on management and MD practices within MNCs, during which the issue of transferability is raised. The importance of understanding the dynamics in the successful transfer of processes is highlighted. Then the integrative model of transfer is presented and the concept of transfer is discussed. This is followed by an analysis of the ways in which institutional context influences management and MD practices. In this section the basic framework, which is by its nature broad in scope, is reduced by highlighting key factors that influence MD practices, as well as the ways in which this influence is exerted. Also dimensions to compare and contrast the MD models adopted by the two MNCs involved in the study, are presented in this section. Finally, the importance of processes is stressed, providing an approach to analysing the social and political nature of the transfer.

### **3.2 Transfer of management and MD practices within multinationals**

The issue of transfer has been raised with increasing interest in the functioning of multinational companies in recent management literature. The distinctive characteristics of the MNC come from its definition. A multinational business has been conceptualised as one which has operating units in a number of countries (Storey, 1990), or as a corporation which manages a portfolio of multiple national entities (Bartlett and Ghoshal, 1989). More recent studies stress the importance of the evolution of MNCs into transnational corporations (e.g. Edwards, et al., 1996). That is, according to Bartlett and Ghoshal (1989: 65), a true MNC is one with a “genuinely globally integrated organisation” as opposed to “mere collections of operations”. The authors describe

transnational companies as “dispersed, interdependent and specialised” with “differentiated contributions by national units to integrated world-wide operations” and “knowledge developed jointly and shared world-wide.” MNCs, therefore, are often seen in the literature as being increasingly interested in promoting common management practices and corporate culture to improve the control, co-ordination and integration of their subsidiaries.

### **3.2.1 The nature of MNCs: the importance of transfer**

The nature of the MNC, and the importance of context to their successful functioning, has been extensively studied from a wide range of perspectives. Some approaches that address issues such as hierarchy, control and co-ordination argue that the structures of MNCs can be explained as contingencies of the requirements of globalisation. The importance in MNCs of managers’ understanding of the relationship between these processes, and their ability to build the appropriate organisational structures and management systems based on them, are stressed by these approaches. Therefore, the argument is that the goal of managers is to “fit” the structure to the environment created by the operation of market forces.

According to Prahalad and Doz (1987), global integration and local responsiveness are key issues in the management of multinationals. Furthermore, Bartlett and Ghoshal (1989) developed the link between these strategic tensions and the issues of organisation structure and management. They argue that “a truly transnational corporation” needs to find the right balance between the organisational need for co-ordination and control (integration) at the centre and the increasing pressures for sensitivity and flexibility (differentiation) at the subsidiary or unit level (Ghoshal and Bartlett, 1990; Bartlett and Ghoshal, 1991). Often, the transfer of management and, particularly, MD practices are seen as the organisational glue which keeps the firm together (Kamoche, 1996).

However, each and every region, country or unit poses its own peculiar problems as well as a characteristic set of opportunities to the process of transfer. Which practices can be transferred, by which means, as well as what influences the process of transfer, have all been the focus of many recent studies (Dowling and Schuler, 1990; Prahalad and Hamel, 1990; Bartlett and Ghoshal, 1989; Ghoshal and Bartlett, 1990; Rosenzweig and Singh,



1991; Schuler et al., 1993). The theoretical foundation of this concern draws on Lawrence and Lorsch's (1967) organisation-environment interface. It highlights the importance of differentiation and its manifestations, be they cultural, economic or legal. As Laurent (1986) notes, the underlying challenge for the multinational facing the transfer of its practices is that, while the nature of global business calls for consistency in the management of people, cultural diversity requires adaptation and differentiation. This means that different HR practices are needed to fit the needs of the subsidiaries (Ehrlich, 1997). As the labour force becomes increasingly global, pressures mount for greater adaptation to, and accommodation for, local conditions while transferring practices within multinationals (Brockbank, 1997; Pucik, 1997). These works stimulated the search for factors that best determine the right fit between the practices transferred and the local conditions where they will be implemented.

A number of theoretical frameworks have been developed in pursuit of the right interaction of the HRM strategies and systems with the demands of the functioning of multinational businesses. Concerns over how subsidiary operations are linked to the strategic goals of HQ have been repeatedly expressed. A resource-capability approach involves the analysis of parent-subsidiary relationships and the structuring of strategic control options. Thus, Hedlund (1986; 1993) developed a view of the multinational as a "heterarchy", i.e. possessing multiple centres. This is a resource-dependence approach, where influence and control are facilitated by the affiliates' dependence on the parent. In this relationship managers of subsidiaries are expected to act in the interests of the centre. However, the idea that subsidiaries take on different roles allocated to them by head offices, and more recently, the idea that subsidiaries can develop these roles and not simply be the passive recipients of head office decisions has also been presented in the literature (Birkinshaw, 2000; Birkinshaw and Hood, 1998). Therefore, support has been found for the hypothesis that MNCs might differ in their approaches to transfer practices.

A typology of firms based on differences in HRM approaches adopted by different MNCs to the transfer of their practices has been proposed in the literature. Rosenzweig and Nohria (1994: 229) argue that the central issue in the literature is "the extent to which various foreign subsidiaries act and behave as local firms versus the extent to which their practices resemble those of the parent corporation or some other global standard". Thus, Perlmutter (1969) describes three "attitudinal" types of MNCs:



ethnocentric, polycentric and global. According to this typology, management practices in foreign subsidiaries resemble those of the MNC's home country (ethnocentric), conform to local practices of the affiliate's host country (polycentric), or adhere to a world-wide standard (global). This view has then been extended to incorporate the influence of context on these approaches. Debates in the literature concerning contextual influences on the process of transfer of MD practices are presented in the following section.

### **3.2.2 Contextual influences on the transfer of management and MD practices in MNCs**

The underlying assumption of initial studies on the nature of processes within MNCs was that these organisations are detached from individual nation states. This assumption has been questioned, and evidence provided that even the most global of companies remains deeply rooted in the national business systems of its country of origin (Sparrow and Hiltrop, 1994). Multinational firms cannot be understood separately from the national contexts in which they are embedded. Recent studies have convincingly shown how specific national institutional contexts shape the strategies and structures of firms (Quack, Morgan and Whitley, 2000; Whitley and Kristensen, 1996, 1997).

There are a number of explanations of the "country-of-origin effect". One rests on differences in historical patterns and the phasing of international expansion by national capital (Bartlett and Ghoshal, 1989). Another refers to features of national business culture and management style (e.g. Ferner, 1994). Both, however, indicate the importance of the closer examination of differences in the national economic and business cultures from which MNCs have emerged. National institutional contexts influence how MNCs internationalise. As Whitley (2001) argues, the range of activities undertaken by the MNC is a function of its strategy, which is in turn influenced by the competencies derived from its home base and the expectations of its key stakeholders.

The influence of context resulting in differences in HRM systems adopted by MNCs of different nationalities, is also examined within an analytical framework, which addresses country-of-origin issues (Guest and Hoque, 1996). Elger and Smith (1994) emphasise that international competition is rooted in the specific arrangements of national systems,



and that national economies compete to impose their version of economic development. MNCs are key protagonists in the process of disseminating their home country's "version of capitalism" (Ferner, 1997). Such dissemination of HR practices is viewed as a major mechanism of control (Edstrom and Galbraith, 1977; Rosenzweig and Singh, 1991).

Multinationals, however, differ in their approach to transferring management practices. Evans and Lorange (1989) argue that firms tend to be either centralised, i.e. adopting uniform, world-wide policies on selection, appraisal and promotion, or decentralised, with locally-determined policies on HRM issues. This means that in the process of transfer, MNCs can adapt to the environment of the host country by adopting local patterns of management practices which may differ considerably from those of the country of origin ("local isomorphism"). Alternatively, MNCs can pursue a strategy of "cross-national isomorphism" by introducing country-of-origin patterns into host country operations. Given the complexity of the issue, a more recent view is to consider management practices in an MNC as being shaped by the interplay of opposing pressures for "internal consistency" and isomorphism with the local institutional environment (Rosenzweig and Nohria, 1994).

This implies that specific practices are shaped by these pressures to varying degrees (Rosenzweig and Singh, 1991). For example, some subsidiary practices may tend more closely to resemble the MNC's home-country practices, while others may more closely resemble host-country practices. Factors that contribute to the difference or degree of similarity to local practices include: method of foundation (greenfield sites usually replicate key features of the parent company as opposed to acquired firms (Bartlett and Ghoshal, 1989)); age and size of the firm; dependence on local inputs; presence of expatriates; extent of communication with the parent; legal and regulatory framework; industry type; technology transfer; parent company culture; and finally, differences in host and home national culture (Doz et al., 1981; Nohria and Ghoshal, 1990; Rosenzweig and Singh, 1991; Rosenzweig and Nohria, 1994). Equally, different host environments, either regulated or "permissive" (Ferner, 1994), shape the behaviour of MNCs, and therefore influence the process of transfer. A permissive system is one in which the MNC has the greatest degree of strategic choice. A highly regulated system, on the other hand, is one where the freedom of operation of the MNC is significantly constrained.



Contextual differences described in this section have an impact on the transfer of management practices within MNCs. Patterns of business behaviour in different countries that have been shaped by their national environments persist over time. Therefore, some of their elements are difficult to transfer: the greater the cultural distance between the home country and the host, the harder it is for the MNC to transfer home-country philosophies and practices (Schneider, 1986; Hendry, 1992). Furthermore, multinationals differ in terms of the approaches to transfer which they adopt, as well as the practices they transfer. This suggests that the influence exerted by the broader national context on the behaviour of the multinational might be mediated by its internal organisational context, once again highlighting the importance of processes. In addition to this, recent developments in the area suggest that the transfer process does not stop when formal practices are introduced in subsidiaries. Rather, it requires additional effort to have these practices internalised.

### **3.2.3 Transferability of practices: static vs. dynamics view on the transfer process**

The views presented above could be described as static views on the process of transfer. They provide useful typologies and highlight the influence of context on the transfer process. Recently however, a social aspect has been added to the analysis (Morgan, 2001; Sharpe, 2001; Kristensen and Zeitlin, 2001). Morgan (2001) argues that because of the social nature of the firms, organisation across institutional and national boundaries might be highly diverse, conflictual, and complex. The line of argument is as follows: given the influence of national contexts, there are certain patterned behaviours which most protagonists understand and abide by. However, once firms become international in scope, they incorporate within their organisational space new social actors. Therefore, given that there could be significant differences in the understanding of management practices and systems between different nations, the reproduction of old routines might become problematic.

Furthermore, rationality is socially constituted so that the nature of rational action varies between institutional contexts (Morgan, 2001). Many actors learn to follow a set of informal rules or available “strategies for action” from the experience of operating in a particular environment (Swidler, 1986; DiMaggio and Powel, 1991). However, the



process of transfer initiates changes in management structures and systems. Changes occur because firms may now become part of a different company, owned by shareholders with very different perspectives. Senior managers are therefore faced with the task of balancing the requirements of these different groups.

The view of an MNC as a means to achieve certain economic goals neglects the interactions that occur alongside the different forms of co-ordination and control constructed by senior managers in the attempt to ensure that these goals are met. Yet these interactions generate further patterns of co-operation and potential conflict (Morgan, 2001). Control and co-ordination therefore depend on how far practices, routines, norms, and values from within the multinational differ, are transferable, adaptable, or resistant to change. Therefore, the emphasis is on the need to consider the social basis of multinationals and the conflictual nature of the social order that develops within them.

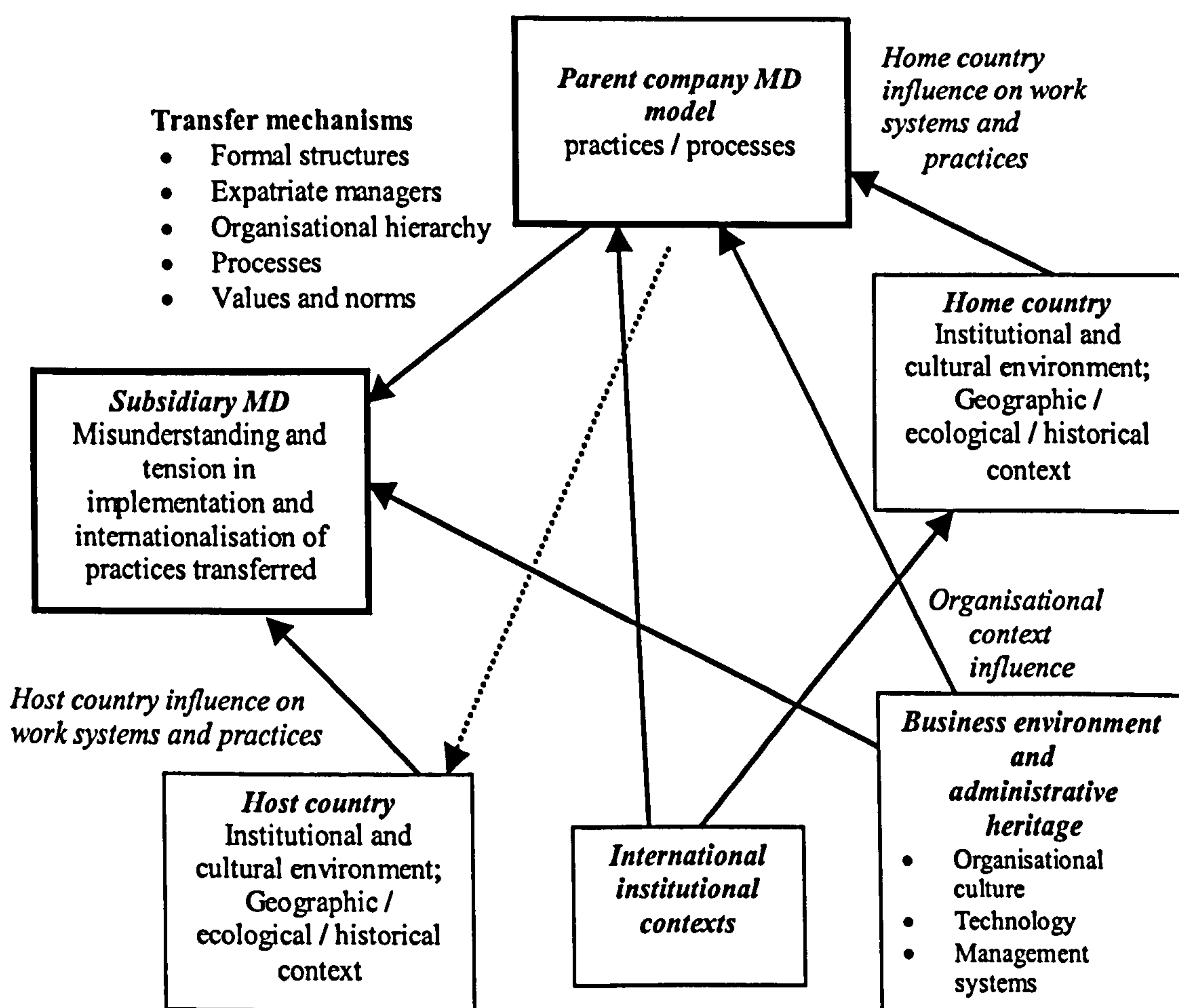
Finally, the construction of markets is also a social process that is institutionally constituted. This means that different sorts of markets and different sorts of firms emerge as a result of the distinctive historical trajectories that different societies have taken. Therefore, it is essential to understand which organisations construct these markets, how they manage their workings, and how this is reflected in different patterns of firms and organisations. This necessitates comparative and historical studies of social institutions, markets, and organisations. Morgan (2001) stresses that anyone wishing to study the process of the transfer of management practices, must also address systematically the social determinants of organisational structures, the political nature of decision-making, the irrationality of organisations, and the social construction of markets. The following section integrates all the key issues highlighted by the literature reviewed above, and presents a model for the study of the process of transfers of MD practices within multinationals.

### **3.3 The process of transfer of MD practices within MNCs: the integrative model**

This research aims to answer the questions of how context influences the nature of MD practices in MNCs, in which ways MNCs seek to transfer practices, and what processes

surround the transfer to subsidiaries. Therefore, the focus of this study is the internal management system of the firm, its internal organisational structure, the systems of monitoring and accountability, and the roles that expatriate and local managers take in the process of transfer. The integrative model (Figure 3.1) integrates all of the principal forces, discussed earlier in the literature review, that have a bearing on the transfer of MD practices in MNCs. By highlighting their interdependence, the social aspect of the process of transfer is also stressed.

Figure 3.1 The process of transfer of MD practices within MNCs



Sources: Morgan, 2001; Whitley, 1999; Hendry and Pettigrew, 1990, 1992; Sparrow and Hiltrop, 1994; Bartlett and Ghoshal, 1989

The aim in designing and testing the following research framework is to understand and address systematically areas of potential tension, and factors which contribute to them,



during the process of transfer. Case study analysis, therefore, is built around the issues highlighted by the framework.

The model draws attention to contextual influences on the success of the process. These influences are discussed at three levels: international, national and organisational. The model suggests that management practices and MD practices are structured by their country's national framework. This influence, however, is mediated by an organisational context which is the outcome of existing management systems, technology used and organisational culture. Furthermore, MD practices in MNCs are influenced by international institutional contexts. Transferred management and MD practices might not fit with a host country's institutional and cultural environment, and might therefore create misunderstandings and tension. The model also highlights the importance of both processes and structures to successful transfers. The following sections discuss these influences.

### **3.3.1 Societal context: home and host country influence**

The framework presented above (Figure 3.1) implies that national business systems influence which strategy is adopted, as well as having an impact on the process of interaction of the home-country model with different host country environments. As highlighted in the literature, societally-specific features influence work organisation and control systems (Maurice et al., 1986; Sorge, 1996; Tayeb, 1994). In this way societally-specific features work against the establishment of a single pattern of work organisation across institutional boundaries, with local conditions influencing the adoption of production systems from elsewhere. Therefore, as Whitley (1997) notes, the "wholesale transfer" of managerial practices without alteration from one context to another appears impracticable. Within multinationals, pressures for "isomorphism" may occur through attempts to transfer "best practices" (Mueller, 1994), but the local context, including national political, financial, labour, and cultural systems, influences how multinationals' management practices transfer across business systems, and with what outcomes (Whitley, 2001).

Furthermore, subsidiaries are embedded in local national environments and cultures wherein the underlying basic assumptions about management may differ from that of the



MNC home country. These differences may hinder the acceptance and implementation of HR practices in MNCs (Schneider, 1986). Ferner (1997) contends that host country norms in fact mediate the influence of the home country “blueprint”. For example, a performance management system for executives may be applied globally in an MNC, but its operation and significance may differ very markedly in different countries according to the influence of the local business culture.

However, as discussed earlier, a multinational corporation is often seen as a relatively effective mechanism for transferring knowledge across borders. Multinationals thus are hypothesised to show a more universalising influence of both the organisation and the globalisation effect (Harzing et.al., 2000). The evidence, although in many instances inconclusive and somewhat preliminary, still suggests that in many cases of organisational change it might be necessary to look for organisational effects, either in addition to or instead of societal effects. Also, multinational firms should be seen as an integral part of international institutional contexts (Morgan, 2001). Therefore, an interesting question for further empirical investigation is the extent to which an “organisational effect” and a “globalisation effect” (Harzing et al., 2000) may operate in the transfer of MD practices within an MNC.

### **3.3.2 Globalisation and organisational effects in the structuring of management and MD practices**

Though many of the institutional factors conditioning the behaviour of firms remain nation-specific, there is variation in corporate strategies inside all economies, in keeping with differences between the resources and market settings of individual firms. The capabilities of management also matter. Hall and Soskice (2001) point out that institutional structure only conditions strategy, rather than determining it fully. Differences in corporate strategy can also be conditioned by the institutional support available to firms at the regional or sectoral levels (Campbell et al., 1991; Hollingsworth et al., 1994; Herrigel, 1996). Also, authors like Swidler (1986) and Douglas (1991) have drawn attention to the fact that institutions shape the interests, strategies and behaviour of social actors, although not in a deterministic way. They provide “tool kits” or repertoires from which actors can to some extent choose in order to construct their “strategies of action”. The resulting variety in social behaviours generates a pool of



alternative mental maps and patterns of behaviour. Therefore, it is interesting to examine the influence of national institutional environment on structuring MD practices in MNCs.

Institutionalist arguments embrace a conception of economic action as being embedded in larger institutional schemes. They see the societal or national level as being highly responsible for the structure and constitution of such schemes. In this literature, national institutional systems or frames have been depicted as extremely robust (Hall and Soskice, 2001). However, while not questioning the basic tenet that society influences the structures and processes of business organisations, an argument there over just how dominant this effect may be appears to be emerging. Some recent works (e.g. Hellgren and Melin, 1992; Rasanen and Whipp, 1992) claim that traditional contrasts between countries, as depicted in the societal effect approach, may have been over-emphasised.

One implication of recent studies on multinational companies suggests that organisational and globalisation effects may complement or even counteract the societal effect (e.g. Dosi and Kogut, 1993; Kogut and Zander, 1992). It appears that in certain industry contexts, there are global technological and strategic trajectories which companies in various countries follow. Strategic orientation shapes their internal design of structure and processes (Osterman, 1991). Foreign direct investment is often followed by the transfer of technology, the transfer of management practices through expatriates or the implementation of a firm-specific management style (Mueller, 1994). Furthermore, within MNCs, benchmarking and the transfer of best practices are important processes, which exchange information within the firm and between countries. The principal issue raised by globalisation concerns the stability of regulatory regimes and national institutions in the face of heightened competitive pressure (Boyer and Drache, 1996; Rodrik, 1997). An interesting objective for more empirical study is therefore to determine the ways in which an MNC interacts with the host institutional environment (e.g. Hellgren and Melin, 1992; Rasanen and Whipp, 1992), particularly if it is in a state of transition (Whitley, 1999).

### **3.3.3 International institutional context**

Given that the focus of recent research has been on the interrelations between actions and structures within societal systems defined at the level of the nation state, little attention

has been paid to what has been unfolding either in the space beyond national institutional frameworks, or in sub-national spheres (Morgan, 2001). National economies have been treated as isolated and discrete units, where patterns of economic organisation and action stabilise over time as a result of the continued and repeated interaction of domestic actors with their national institutional environment. Such approaches are not helpful in understanding how pressures for change may build up over time, turning a succession of incremental adaptations into a potentially substantial transformation. Equally, they do not explain either how an organisation's interaction within the transnational sphere may in turn reflect upon national institutional systems (Djelic and Quack, 2002), or what implications this may have for MD practices.

The growing transnational interconnectedness of economic actors across the world, and the emergence and strengthening of various forms of institutionalised rule at the transnational level, might increase the variety of strategies and behavioural patterns within a given society (Sorge, 2000). This can also result in increased tensions, arising from the conflicting interests of different societal groups, and leading to contradictions within the societal system and potentially to further institutional change (Almond and Rubery, 2000; Casper, 2000). Furthermore, incremental changes may over time prove consequential, and might lead to significant alterations of any given institutional system (Djelic and Bensedrine, 2001).

Most recent views on MNCs (e.g. Morgan, 2001; Djelic and Bensedrine, 2001) suggest that when firms internationalise, they have to adapt their existing systems of managerial co-ordination. In particular, they have to adapt the range of activities which they undertake and their systems for monitoring and them, as well as the roles that expatriate and local managers play in co-ordinating and controlling the firm's activities. These adaptations are partly due to the different national contexts, but a significant proportion is increasingly concerned with adaptation to various forms of cross-national regulatory standards (Morgan, 2001; Djelic and Bensedrine, 2001). To compete internationally, firms have to abide by certain international standards as to their governance structure and modes of action.



### **3.3.4 Mechanisms of transfer**

Mechanisms of transfer and the diffusion of management and MD practices within MNCs have also been studied extensively (Bartlett and Ghoshal, 1988; Ferner and Edwards, 1995; Coller, 1996; Welch and Welch, 1997). Management transfers and job rotation across units are seen as useful instruments, given that they foster identification with and commitment to the firm, as well as promoting inter-organisation learning (Kamoche, 1996). Edstrom and Galbraith (1977), however, make the point that the transfer of managers in MNCs is determined primarily by considerations of organisational control. They argue that managerial ideologies are determinants of organisational structures, and that the “socialising strategy” of international transfer is an instrument for promoting the controlled disbursement of these ideologies.

At a more general level, the view of MNCs as structures of power has been adopted by Ferner and Edwards (1995), who distinguished various “channels of influence” which are used by different companies, and among different parts of the same corporation. It is argued that the possession of exchange resources, the presence of formal authority and the structuring of interests through “corporate culture” help MNCs to exercise their organisational power. Autonomous local managers are controlled by standardised skills, which produce standard results. In the context of MNCs, this implies that the controlling unit (the headquarters) constrains local managers’ courses of action. The articulation of this influence over local managers, in many cases, involves the transfer of knowledge and working practices. Buying firms with different local traditions results in considerable diversity in working practices. By transferring practices and therefore introducing certain standards, multinationals seek to achieve consistency. Local plants are encouraged to deal with their own problems, but it is the centre that defines the options for dealing with local contingencies in order to ensure a degree of consistency. As conglomerate corporations increase in size and scope, standard performance criteria are not necessarily imposed on subsidiaries, but it is common for subsidiaries to be subject to standardised reporting mechanisms (Ferner and Edwards, 1995; Coller, 1996).

Research on multinationals has noted the significant role of the expatriate manager as the visible hand (Chandler, 1977) in the co-ordination and control of activities. Also noted has been the relationship between the presence of expatriates and the effective implementation of management systems and practices, even though this may leave host

country managers in a marginalised position. Following White and Trevor (1983), Rodgers and Wong (1996) argue that it is possible that expatriate managers may transmit the internalised norms and values underlying the form of work organisation through multiple channels, including formal organisational structure, informal reporting relationships, formal and informal communications, instructions, training and advice, and their own example.

However, usual mechanisms of transfer, e.g. the use of expatriates, might also contribute to tension. Host country managers may have their own distinct views on management style as well as their own interests in development. Furthermore, differences might exist in the understanding of what skills should be valued most and in which ways they should be used. Kristensen and Zeitlin (2001) in their study point out that organisational structure is not a cohesive and coherent hierarchical structure, but one in which groups have different interests which lead them into conflicting and distinctive patterns of alliance, co-operation, and conflict with others. Therefore, the issue of co-ordination and control within firms is not a technical question; it is imbued with political significance. From this point of view, the multinational should be viewed as a set of social processes of co-ordination and control, disorganisation and resistance (Morgan, 2001).

The model presented in Figure 3.1 integrates all the key forces which affect the process of transfer of MD practices in MNCs. It highlights that MD practices are contextually embedded. This contextual embeddedness influences the nature of MD practices and the ways in which they develop. It also influences the ways in which MNCs seek to transfer them to their subsidiaries, as well as the processes surrounding such transfers. Potential tension in implementation and internationalisation of the MD practices transferred might arise because of resistance to the fact that these practices were developed in a different national institutional context. Another area of potential tension might be due to the mechanisms an MNC uses to transfer its practices. The ways in which an MNC seeks to transfer its practices, as well as what practices are transferred, is however also influenced by the internal organisational context. Furthermore, the influence of organisational and globalisation effects on MD practices in MNCs is important. The question of whether best practices brought by MNCs to a host country trigger any changes in its national institutional environment remains open.



The following section focuses on two major areas which, as highlighted in the framework above, might create tension in the process of transferring MD practices within MNCs. Firstly the influence of the national institutional context on MD practices is discussed and the mechanisms by which this influence is exerted are highlighted. This is followed by a discussion of political and other constraints in an organisational context which might impede the internationalisation of the practices transferred.

### **3.4 Structuring MD by context**

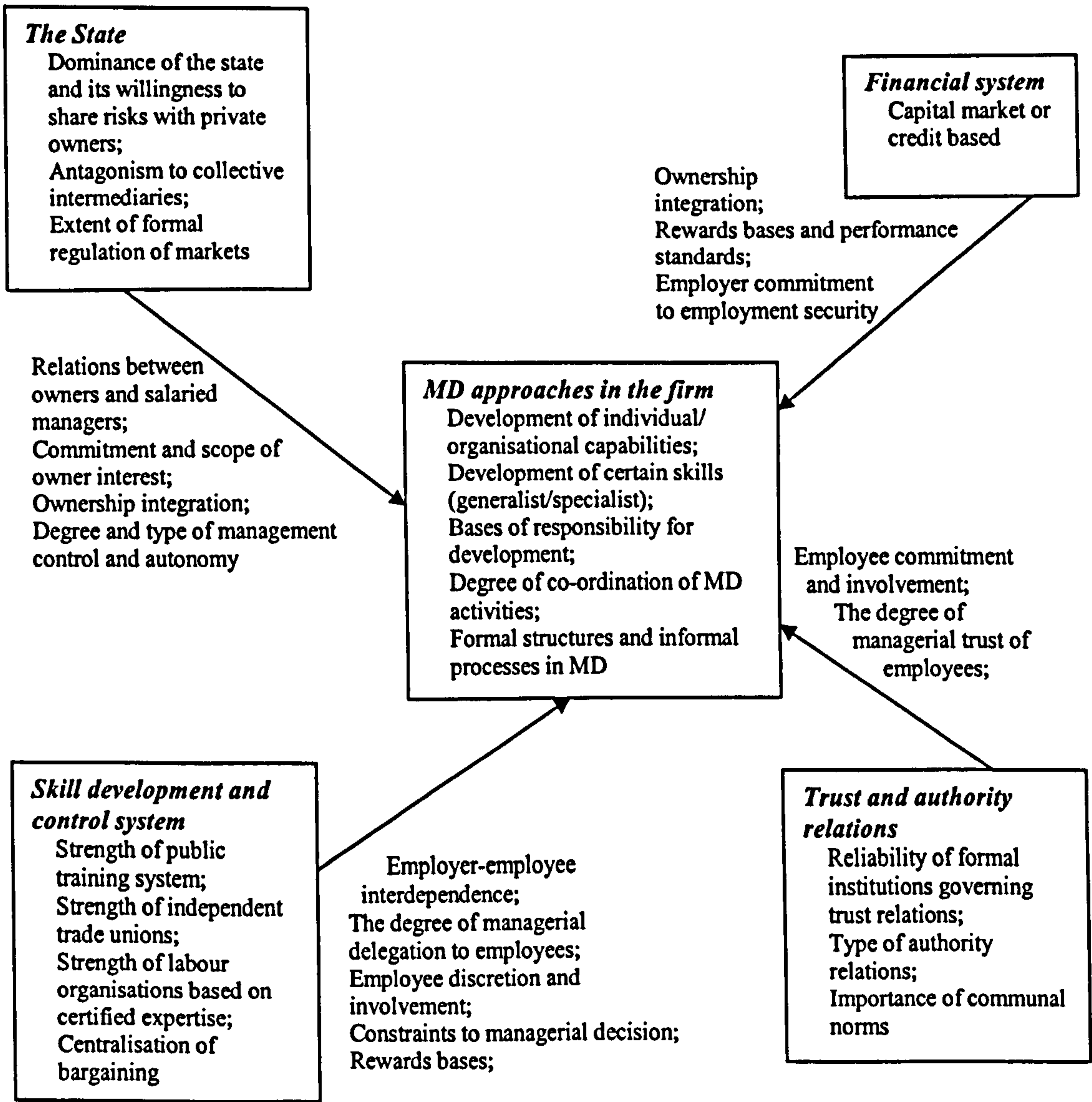
This section explains the structuring of MD practices in a broader national context. What follows is built upon the institutional argument that asserts that organisational processes and practices such as training, industrial relations, and remuneration should be considered as phenomena within a society (Maurice, 1979; Maurice et al., 1980; Maurice et al., 1986; Sorge and Maurice, 1990; Streeck, 1997). The line of argument is as follows. As ownership-based units of decision-making and control, firms are central collective actors in the mobilisation, allocation, and use of assets, especially human labour power (e.g. Sorge, 1991; 1996; Hall and Soskice, 2001). However, institutions influence the way firms organise and control work in terms of task organisation and control, workplace relations between social groups, and employment practices and policies. How tasks are structured and how task performance is controlled is usually quite closely inter-linked with recruitment, training and reward strategies, which are in turn often connected to firms' overall product and market strategies (Friedman, 1977; Lane, 1989; Sorge, 1991; 1996).

Figure 3.2 on the following page attempts to show the interdependence of MD models adopted by "dominant firms" (Whitley, 1999) in a given society. It also shows the main characteristics of business systems as structured by key institutions, and attempts to identify mechanisms by which influence is exerted.

Equally, Figure 3.2 presents features that help to differentiate and compare MD models adopted by different firms. Dimensions along which MD models can be compared were identified in Chapter 2. These are as follows. Given employers' considerable discretion over how work processes are organised and controlled, the development of organisational capabilities and knowledge is a distinctive feature of MD models

(Langlois and Robertson, 1995). Not all firms attempt to develop such capabilities, and this constitutes an important variable characteristic of firms.

Figure 3.2 Structuring of MD by national context



Sources: Whitley, 1999; Hall and Soskice, 2001

Firms also differ in the extent to which they develop particular kinds of competencies, either as integrated administrative structures, or as loosely coupled collections of individuals or small groups co-ordinated in contractual ways (e.g. Osbaldeston and



Barham, 1992). Another distinctive feature is the degree of involvement of employees in the organisation, and their contribution to the development and enhancement of its capabilities. Finally, as suggested in the previous chapter, firms differ in terms of preferences given to formal or informal processes in the development of their workforce (e.g. Mumford, 1987, 1988).

Although as discussed in Chapter 2, the actual implementation of MD is influenced by the inner organisational context, where factors such as managerial philosophy, technology, structures and administrative heritage play a significant role, it is possible to differentiate MD models adopted by dominant firms in different societies. These models of MD are translated into specific MD practices, and it is therefore possible to identify “ideal-type” MD practices in each separate society.

Features of MD models identified in Figure 3.2 will be used in the empirical chapters to compare the MD models adopted by the multinationals involved in this research. An analysis of similarities and differences of MD practices in those firms with practices identified as “ideal-type” the UK (Chapter 5) will be made, in order to examine the influence of the national institutional context on MD practices in MNCs. By comparing “ideal-type” MD practices in Russia (also identified in Chapter 5) with those in the UK, hypotheses will be made concerning potential areas of tension in the transfer process. These hypotheses will be discussed in Chapter 5 and tested in the case study chapters (6 and 7).

The following sections differentiate MD models adopted by firms by how they are structured by their broader national contexts, and explain their differences by emphasising the role of key institutions in the structuring of MD. What follows aims to analyse how particular political, financial, labour and cultural institutions influence the form of economic organisation that becomes established in a specific market economy. It also highlights how the established economic organisation in turn structures the model of MD which is then translated into the MD practices adopted by dominant firms in this context.

### **3.4.1 Formation and development of key institutions**

The explanation of differences between market economies, and the nature and behaviour of dominant firms in these economies, depends on an analysis of all the key institutions and how they interdependently structured the specific form of economic organisation that developed in a concrete market economy. This, in turn, implies adopting an historical perspective in the analysis. Hall and Soskice (2001) argue that the institutions of a nation's political economy are inextricably bound up with its history in two respects. On the one hand, they are created by actions, statutory or otherwise, that establish formal institutions and their operating procedures. On the other, repeated historical experiences build up a set of common expectations that allow the actors to co-ordinate effectively with each other.

In any particular market economy, the prevalent form of economic organisation reflects the influence of all dominant institutions as they have developed in conjunction with each other during and after early industrialisation (Whitley, 1997). Furthermore, the detailed pattern of firms and markets that comes to dominate any one market economy is also contingent on a variety of "idiosyncratic factors", such as wars, the distribution of natural resources, and geopolitical developments (Dore, 1990; 1997). Therefore, it is important to take an historical perspective in the analysis of key institutions.

### **3.4.2 Key institutions structuring economic organisation and characteristics of dominant firms**

MD models, as well as the organisation of firms and inter-organisational forms of economic co-ordination, vary from one national institutional system to another. The structures and strategies of firms, the relationships between different stakeholder groups, the roles of managers, the development and distribution of skills between various layers of employees, are all shaped by the distinct social and institutional settings in which firms operate (Hollingsworth and Boyer, 1997). Equally, patterns of industry specialisation, co-ordination between different economic actors, and the capabilities and competencies resulting from these interactions are equally influenced by the institutional setting (e.g. Whitley, 1992; Whitley, 1999; Lane, 1992; Kristensen, 1997).



Institutional arrangements which guide and constrain the nature of ownership relations, inter-firm connections, and employment relations are those governing access to critical resources, especially labour and capital. Equally, how skills are developed, certified, and controlled exerts significant influence on prevalent employment relations, work systems, and the firms' policies and structures, as do the dominant norms governing trust and authority relationships (Whitley, 1997; 1999). Finally, variations in social structures that differentiate individuals' capabilities and develop particular kinds of competencies at the expense of others are also significant. The following sections discuss the influence of each of the four key institutions on dominant firms' characteristics. This research takes another step in the analysis and proposes to extend this link to include the influence of dominant institutions on MD models and MD practices in such firms. By highlighting the interdependencies between business system characteristics as structured by their institutional environment, characteristics of dominant firms, and the MD models adopted by these firms, this research contributes to the debate concerning the influence of institutional context on the ways in which MD practices develop.

#### **3.4.2.1.        *The state***

The institution of the state is seen to be particularly influential in moulding business systems, as it exerts both a direct and indirect influence through its shaping of other institutional complexes. The state may own and manage some industrial companies and financial institutions, and thus be a player in the industrial arena. Also the state provides a legal framework for all industrial companies operating in the national market. The role of the state in co-ordinating economic activities is very important. One of the features which distinguishes its role in structuring economies, is whether it dominates the economy and is willing to share investment risks with private economic interests, making businesses dependent on its policies and actions. Furthermore, the state might encourage or resist the establishment of intermediary economic associations between individuals, firms and itself, as well as directly or indirectly regulating market boundaries and setting constraints on the activities of economic actors.

These features of the state influence the work systems and structures of dominant firms, and therefore the MD models adopted by them. Thus, state-dominated business systems

are characterised by high levels of managerial control over work organisation and over task performance (Whitley, 1992; Guillen, 1994). In such economies the state can even intervene directly in managerial matters (e.g. Blasi et al., 1997). Therefore, direct owner control is encouraged rather than market co-ordination, because owners typically manage political risks directly with decision-makers (Whitley, 1999). Furthermore, horizontal linkages between economic actors, and employer-employee interdependence, are limited in these business systems by strong ties of vertical dependence, both between firms and the state and within enterprises. Finally, high levels of business dependence on the state limits the influence of employee interests on major strategic decisions: major political risks focus attention on state interests and priorities so that other groups are subsidiary, except for a small cadre of senior managers.

These characteristics of business systems have implications for MD models adopted in firms. Given the limited influence of employees on major strategic decisions, building organisational capabilities around the contribution of most employees in such economies is difficult. Standardisation of jobs and organisational roles enables rewards to be based on the amount of standard output produced by each incumbent, as distinct from their specific skills or personal capacities (Lazonick, 1990).

On the other hand, in those firms where relations between owners, managers and employees are market-based, owners are remote from salaried managers and delegate considerable powers to them, but subject them to strong financial performance constraints. Employee interests are generally not significant influences on decision-making in these kinds of firm. Such firms focus more on increasing investor returns than on continuous innovations, and often fail to develop long-term-growth strategies. Commitment and mutual dependence are usually limited and the contribution of most staff to organisational capabilities is restricted. Furthermore, reliance on external labour markets for hiring and firing discourages employers from looking to employee skills as a basis for strategic advantage (Johnson, 1982).

Systematic variation is found in the character of corporate structures (or hierarchies) across different types of economies, as influenced by the role of the state in co-ordinating economic activities (Milgrom and Roberts, 1992). Thus, state-organised business systems are dominated by large firms that integrate production chains and activities in different sectors through a unified administrative apparatus (Boyer and Durand, 1997).



Formal regulations of markets inhibit diversification into market- and technologically unrelated fields since these institutional arrangements restrict entering and leaving the industry. Conversely, corporate structures that concentrate authority in top management make it easier for firms to release labour when facing pressure from financial markets, and to impose new strategies on the firm to take advantage of shifting market opportunities that often present themselves in economies characterised by highly mobile assets.

This also has implications for MD. In co-ordinated market economies more institutional support is provided for the strategic interactions required to realise the value of co-specific assets, be it in the form of industry-specific training or collaborative research and development. The more fluid markets provide economic actors with greater opportunities to move their resources around in search of higher returns, encouraging them to acquire switchable assets, such as general skills or multipurpose technologies (Estevez-Abe, Iverson and Soskice, 2001).

This section has highlighted the influence of the state on characteristics of the dominant firms in society, including their structure, corporate governance characteristics, links with intermediary economic associates, and preferred growth strategies. This, in turn, influences their work systems and, therefore, their MD models. Given the existence of such a link, it is important to examine the influence of the state on MD practices in each and every society.

#### **3.4.2.2.        *The financial system***

Financial systems deal with the processes by which capital is made available and priced. Zysman (1983) makes the following distinction between two types of financial systems, namely capital-market-based systems and credit-based ones.

Capital-market-based financial systems mobilise and distribute capital through large and liquid markets which trade and price financial claims through the usual commodity-market processes. Several features of the financial systems encourage firms to be attentive to current earnings and to the price of their shares on equity markets. Given that ownership rights are easily traded, capital markets institutionalise a market for corporate

control driven by short-term financial returns, in which final beneficial owners are separated from nominee controllers (Lazonick and O'Sullivan, 1996). Therefore, such financial systems encourage horizontal diversification within ownership units, because risk management is internalised in these economies. In such economies firms represent loosely-coupled business units with little co-ordination from headquarters, and mergers and acquisitions, including hostile takeovers, are not an uncommon prospect for a firm when its market valuation declines.

In such firms managers are evaluated in terms of short-term performance measures (Froud et al., 2000; Lazonick and O'Sullivan, 2000). Although owners' delegation of decision-making powers to the managers of individual firms is high, the system as a whole can impose strong financial performance criteria when control becomes concentrated (Lane, 1992). Compensation systems that reward top management for increases in net earnings or share price are common in such economies. Furthermore, firms treat labour and employees' skills as short-term resources, to be acquired on flexible external labour markets, and they are therefore unlikely to pay much heed to employee development. Individuals are left alone to drive their own development.

Credit-based financial systems, on the other hand, typically have weak and fairly illiquid or thin capital markets, which play only a minor role in mobilising and pricing investment funds. Because of capital shortages during high-growth periods, and/or state control of interest rates to support economic development, demand for investment funds often exceeds supply to a considerable degree. As a result, banks and/or the state allocate capital through administrative processes to particular sectors and activities. Since shares are not easily traded, owners, bankers, and trust managers have to be involved in decision-making and the detailed evaluation of investment plans (the latter, however, is not applied in economic systems where credit allocation is wholly regulated by the state as was the case in the USSR).

These systems typically lead to considerable interdependence between the owners or controllers of financial assets, and managers of enterprises. Therefore, such systems encourage investment in the development of the internal labour market. Aoki (1994) argues that long-term employment is more feasible when the financial system provides capital on terms that are not sensitive to current profitability. Furthermore, access to this kind of capital makes it possible for firms to retain a skilled workforce through economic



downturns and to invest in projects generating returns in the long run (Hall and Soskice, 2001). Conversely, fluid labour markets are more effective at sustaining employment in the presence of financial markets (Fehn, 1998).

The discussion in this section has stressed the influence of a second institution – the financial system – on the behaviour and structure of dominant firms and their work systems. This link has also been extended to include the MD models which are adopted by firms. Once again therefore, it is important to look at the influence of this institution on the structuring of MD practices in every society.

#### **3.4.2.3.        *The skill development and control system***

Differences between education and training systems that impinge greatly on economic organisations include the extent to which they develop publicly-certified, relatively standardised, broad practical skills, and the extent to which employers, unions, and the state are jointly involved in developing and managing such training activities (Whitley, 1999). How labour markets are organised is also important, as is the role of trade unions and professional associations in controlling the availability of skills and capabilities, and how bargaining is structured. Previous research (e.g. Child et al., 1983; Lane, 1989) suggests that the overall power and significance of trade unions is an important factor affecting labour-management strategies for the organisation of work processes and the division of labour.

Strong sector-based training and bargaining systems encourage investment in the development of an internal labour market. Where labour markets are regulated and constrained by training and bargaining systems, investment in employee development is not so threatened by price-based competition as it is in economies where barriers to entry are low and ownership and control of businesses is readily traded on capital markets. Also, many firms in co-ordinated market economies employ production strategies that rely heavily on a highly skilled labour force (Sorge and Warner, 1986; Dore, 1986). High levels of certified skills and strong unions encourage considerable delegation of task performance to workers, especially where employers are involved in the definition, development and assessment of expertise (Lane, 1992). Since firms have to invest in skill development in particular sectors, they become committed to those industries and their

competitive success is based on the employee skill within them. Managers become immobile between firms, especially across sectors, and so are more dependent on the growth of specific enterprises. These systems typically encourage the linking of certified skills to organisational status, so that careers within firms are dependent on skill improvement and upgrading.

Furthermore, strong unions and centralised bargaining on a sectoral basis, increase the level of interdependence between firm and sector-based skills (Whitley, 1997). By providing employees with security against arbitrary layoffs or changes to their working conditions, they encourage employees to invest in company-specific skills (Thelen, 1991). Furthermore, long-term employment contracts and the premium that firm structure places on a manager's ability to secure consensus for his projects, lead managers to focus heavily on the maintenance of their reputations and thus on maintaining their competence base.

Segmentation and stratification of skilled-based interest groups can have a marked effect on the organisation of work, particularly its specialisation (Child et al, 1983; Maurice et al, 1980). Though skill-based groupings encourage high levels of skill development, and so imply considerable delegation to staff, they reduce employer-employee interdependencies, because occupational expertise and identities dominate organisational loyalties (Kristensen, 1996; 1997). For example, Britain has a much more fragmented organisation of high-level white-collar expertise in engineering, accounting, etc., than in most European countries (Campagnac and Winch, 1997; Geddes, 1995). Low employer-employee interdependence encourages a high level of inter-firm and often inter-sectoral mobility (Lazonick and West, 1998). This mobility is intensified by a focus on the development of general management credentials, such as the MBA degree (Stewart et al., 1994).

In the industrial relations arena, firms in liberal market economies generally rely heavily on the market relationship between the individual worker and employer to organise relations with the labour force. Top management normally has unilateral control over the firm, including substantial freedom to hire and fire. These markets make it relatively easy for firms to release or hire labour in order to take advantage of new opportunities; they encourage individuals to invest in general skills, transferable across firms and career trajectories that include a substantial amount of movement among firms (Whitley, 1999).



Vocational training in such economies is normally provided by institutions offering formal education that focuses on general skills, because companies are loath to invest in apprenticeship schemes imparting industry-specific skills where they have no guarantees that other firms will not poach their apprentices (Keep, 1989). From the perspective of workers facing short job tenures and fluid labour markets, career success also depends on acquiring the general skills that can be used in many different firms; and most educational programmes from secondary schools through to university level, even in business and engineering, stress “certification” in general skills rather than the acquisition of specialised competencies.

High levels of general education, however, lower the cost of additional training. Therefore, the companies in these economies do a substantial amount of in-house training, although rarely in the form of the intensive apprenticeships used to develop company-specific or industry-specific skills in co-ordinated economies. More often, they provide further training in the marketable skills that employees have incentives to learn.

This section has stressed that the influence that the skill development and control system exerts on behaviour and work systems of dominant firms has serious implications for their MD models and MD practices. Provided that there are significant differences in the skill development and control systems across countries, one would expect differences in managerial labour market mobility, preferred types of career progression and training, as well as in the competencies and skills managers are more inclined to invest in.

#### **3.4.2.4.        *Norms and values governing trust and authority relations***

The norms governing trust and authority relations structure exchange relationships between business partners and between employers and employees. They affect the development of collective identities and prevalent modes of eliciting compliance and commitment within authority systems (Sako, 1992; Whitley, 1997; 1999).

How trust is granted and guaranteed in an economy affects the level of inter-firm co-operation and the tendency to delegate control over resources (e.g., Botti, 1995). The strength of formal social institutions in generating and guaranteeing trust between relative strangers, and in particular the extent to which economic owners, and the

economic actors they control, feel able to rely on impersonal institutionalised procedures when making business commitments, is a crucial factor in the establishment of collaborative relations within and between firms (Zucker, 1986). Where such procedures are weak or judged unreliable, personal and particularistic connections become especially important in organising exchange relationships (Hamilton et. al., 1990; Redding, 1990).

In societies where trust in formal institutions governing relationships is low, an authority is predominantly paternalist in nature, and it is unlikely that owners will delegate control over their property to salaried employees. Conversely, market-based forms of owner control are feasible only when trust in formal procedures is high and authority is predominantly procedural. Furthermore, if authority in a society is more personal and direct than formal and procedural, owners are expected to exercise direct control over employees. In societies where trust is largely based on personal relationships and commitments, building organisational capabilities around the contribution of most employees on a long-term basis is difficult.

Formal political cultures restrict, through formal rules and procedures, the discretion of superiors to a fairly narrow range of issues and actions, and acknowledge the independent and autonomous status of subordinates as individuals able to make rational decisions. Paternalistic cultures, on the other hand, treat subordinates as children who cannot be expected to know their own best interests and act accordingly (Beetham, 1991; Eckstein and Gurr, 1975). Paternalism and low trust discourage managerial delegation because workers are viewed as needing instruction and unreliable in following organisational interests.

Finally, the distinction between contractual and communal forms of authority focuses on the extent to which authority rests upon widespread and diffuse appeals to common interests as opposed to highly specific and narrow agreements between discrete and separate contractors (Whitley, 1999). Communal forms of authority imply relatively high levels of mutual trust and commitment, with shared understandings of priorities and interests. Communal authority often relies on expertise as a key quality of superiors, while contractual authority tends to presume more adversarial relationships and a dominant pursuit of self-interest (Lodge and Vogel, 1987). Communitarian conceptions of authority restrict unrelated diversification, because in such cultures managers depend



for their own authority on employees' perceptions of their commitment to particular industries and skills. These relations, at the same time, favour employee discretion by reproducing common identities and loyalties, so that managers can rely more on workers' perceptions of joint interests than where authority is purely contractual. The prevalence of contractual authority relations inhibits the development of common identities and loyalties within firms, and focuses on formally-specified jobs and subordination relations. Therefore, it is important to examine the influence of norms and values which govern authority relations in each of the countries considered in this research, in order to highlight differences in management styles and attitudes in those countries. As stressed in Chapter 2, these differences make the transfer of practices more challenging because they are reflected in the behaviour of managers.

The major conclusion from the above discussion is that variations in institutions result in significant differences in the governance structures of dominant firms, the ways in which they deal with each other, and the prevalent patterns of work organisation, control, and employment. One might expect significant differences in MD models in different countries, given that their key institutions are profoundly different. Following this logic and applying it to a comparative study, the intention is to identify distinct national patterns of work organisation in the two countries considered in this research. In order to examine the influence of institutional contexts on MD practices developed, Chapter 5 identifies such patterns and links these to the MD practices adopted by dominant firms in the two countries.

However, some caution has to be exercised, in order to avoid the risk of an oversimplification of a complex phenomenon and an over-emphasis on the relationship between the institutional structure of society, organisational forms and related human-resource practices. As Mueller (1994) and many others have pointed out, organisational forms and human-resource practices also correspond to product-market strategies and the product-market segments in which they operate. Thus, one should not forget or disregard the "organisational effect", nor the "globalisation effect", as these are crucial mechanisms in setting the framework for how managers can bridge institutional and national divides. The final section in this chapter aims to highlight the importance to the successful transfer of structures and systems of the internal dynamics in an organisation.

### **3.5 Processes and structures: political aspect of the transfer of practices within MNCs**

The transfer of new practices often changes existing patterns of behaviour, and this may have an impact on the political and power relations within a firm. Political behaviour is defined in the literature as behaviour intended to garner organisational resources (Mumford and Pettigrew, 1975: 101). Recent studies (e.g. Elger and Smith, 1994; Smith and Elger, 1997) have convincingly shown that the processes transferred cannot be guaranteed, and there is substantial negotiation and conflict over the transfer of specific practices and their acceptance or otherwise by local employees (Sharpe, 2001). It is important to emphasise that these features arise out of the interaction between local managers, expatriate managers, and systems of control and co-ordination operated through head office. For example, Sharpe (2001) illustrates how the relationships between expatriate managers, local managers, and local employees in the context of different socio-technical systems have led to distinctive forms of adaptation of the practices transferred.

Economics treats business behaviour as a rational attempt to maximise profits, with organisations aware of whether or not they are achieving this goal and also recognising the courses of action necessary to enable them to do so. Business is perceived as a highly logical activity and the traditional rational approach views decision-making as a rational choice-process in which an individual or an organisation is presented with a number of alternative courses of action. However, according to Simon (1965) the realities of decision-making lead to the acceptance of “satisfactory” solutions rather than optimising solutions, i.e. finding the best solution to a particular problem. This means that people might accept satisfactory solutions because of different interest groups associated with the change process (March and Simon, 1966). The notion of contextual rationality has become particularly relevant in this context, since it provides a crucial link to the internal functioning of the firm. It is perceived as a structured set of relations between a range of actors with their own powers and interests. Decision processes are characterised by political bargaining and negotiation. Morgan (2001) argues that the outcome of a decision process does not reflect an underlying economic rationality, but the ability of different sorts of actors (with different powers in the organisational structure) to make their interests count in the various arenas of negotiation that exist within and across firms.



Power politics often seems to be the dominant factor in change processes, and the one most likely to distort the economist's model of rational planning. Various factors may influence the behaviour of individuals. These include personal characteristics – the individual's desire for influence, status or security, and the effect these have on his or her perceptions of the required behaviour and on their choice of solution. Therefore, it is important to pay attention to contextual influences on the behaviour of the individual. This implies taking a historical perspective in analysing the relationships in the organisation. As Mumford and Pettigrew (1975) argue, in order to achieve any real understanding of the dynamics of political behaviour it is necessary to take a historical perspective and to identify and understand those factors in the group's background which exert an influence on current perceptions, interests and behaviour. Thus in the empirical chapters much attention will be given to the administrative heritage of the organisations under study.

One of the key determinants of behaviour, according to Etzioni (1968), is the cultural background of the individual. He criticises the rational approach as it precludes the examination of "irrelevant" considerations, i.e. pressures to choose alternatives which are not related to the best way of achieving a particular goal – for example, selecting a solution because it will "please the boss" or enhance the individual's own power and influence in the organisation. These are "value" considerations based on an individual's culturally-defined perceptions of what is a desirable role in his firm and how he can achieve it. Therefore, behaviour of an individual can only be understood if it takes into account the values of his society (Etzioni 1968; Braybrooke and Lindblom, 1963). This has also been stressed by the discussion about the influence of norm and values on the behaviour of managers earlier in this chapter.

Furthermore, rationality in behaviour can be displaced and corrupted by internal politics. These politics may be a product of group or individual interests as well as conflicts of interest arising from the differential distribution of power and influence within the organisation. Conflict may arise, for example, because one of the groups participating in the process may actively seek to improve its own power position. Mumford and Pettigrew (1975: 56) argue that the situation can only be eased by a higher group such as top management stepping in and preventing such a distortion of goals. However, as Pettigrew (1973) highlights, the role played by top management appears to vary



considerably from firm to firm. Conflicting interests may also be reconciled through some form of bargaining (Friedmann, 1967). In recent studies the internationalisation of companies has been recognised as creating a “battle-field” where different constituencies within the multinational company enter into conflict and negotiation (Kristensen and Zeitlin, 2001; Sharpe, 2001). Kristensen and Zeitlin (2001) also draw attention to the significance to the successful transfer of practices, of board-level processes at subsidiary level. It will thus be important to examine such processes in the case study chapters.

Political behaviour is an important factor contributing to the uncertainty confronting the individual (Mumford and Pettigrew, 1975). New practices generate uncertainty because they have the potential to alter existing patterns of resource sharing. People involved are likely to view the organisational changes either as opportunities for reinforcing their own position in the firm through gains in power and influence, or as threats which may lead to a decrease in influence, status and even job security. For some individuals and groups change is about maintaining their own security through preserving the existing balance of power (Burns and Stalker, 1961). Mumford and Pettigrew (1975) argue that the political behaviour that erupts during periods of change is an attempt by individuals and groups to control uncertainty. An interesting question for empirical investigation is therefore how people cope with uncertainty during the change process, and what implications this can have for the transfer process.

The more complex, heterogeneous and differentiated a political structure is in the organisation, the more likely it is that disparate demands will be made. Such disparities are a product of the uncertainty and complexity of the task at hand, organisational position, professional training, group norms and values, and the history of relationships and attitudes between the groups making the demands. In the absence of any agreed set of priorities in interest-based demands, conflict is likely to ensue, with subgroups competing for scarce resources in order to promote their own interests.

The importance of providing better information in order to reduce uncertainty has been suggested by scholars (e.g. Galbraith, 1973). Thus Lawrence and Lorsch (1967) suggest that the greater the unpredictability and uncertainty of the task, the greater the amount of information that has to be processed during its execution. However, most businesses rely on control systems to track the progress of individuals, departments, etc. Simply monitoring goals and profitability and measuring progress towards targets is not enough:



there are inherent dangers when employees are held accountable for performance goals and then left to their own devices to achieve them. Furthermore, in the absence of clearly-articulated core values, employees are often forced to make assumptions about what constitutes acceptable behaviour in the many different and often unpredictable circumstances they encounter. Establishing the rules of the game and sharing information are thus particularly important (Milgrom and Roberts, 1992). The importance of shared values in organisations has also been highlighted by recent studies (e.g. Sharpe, 2001). When a manager's own behaviour does not support the introduced values, employees become cynical. Therefore, it will also be interesting to examine in the empirical chapters what is done by the organisations to help their employees interpret the practices transferred.

The section above draws attention to the political nature of the process of transferring MD practices in MNCs. Management and MD practices are transferred in order to endow employees in the subsidiaries with the "right attitude" and behaviour. However, the introduction of these practices might be accompanied by resistance and tension and, as such have unintended consequences. Thus, in order to examine the influence of context on the transfer process it is important to focus attention on how the practices transferred are implemented, sustained, and resisted across the different contexts of a multinational's subsidiaries.

### **3.6 Conclusions**

This chapter presented the framework for the study. It highlighted the influences of context on the process of the transfer of management and MD practices within multinationals.

The model presented analyses the influence of context on the process of transfer at different levels, including international, national, and organisational. However, the centre of analysis is the firm level, specifically the subsidiaries within MNCs. The model stresses the importance of the analysis of the cultural and institutional specificity of management and MD practices and the influence of the organisational context in the management of the process of change which accompanies the transfer. It is suggested that the influence of national context on MD is mediated by organisational context.

Therefore, it is stressed that in order to understand how multinational organisations seek to transfer practices across their operations, it is necessary to examine the linkages and relations between institutional structures such as national and supranational cultural, political, and economic structures, and the internal relations and processes within and between organisations.

This view is taken into account in developing the research methodology in the following chapter. An approach is suggested which enables an analysis of the linkages across a number of levels of analysis. This cuts across the organisation / environment boundary and include micro- and macro-levels of analysis.



---

---

# CHAPTER 4: Methodology

---

---

## 4.1 Introduction

The aim of this chapter is to present and discuss the research methodology of this study. The analysis of the literature has helped to frame specific research questions. The questions raised by the literature that are of interest and have guided the framework of this study were to examine the influence of context on the nature of MD practices and the ways in which MNCs seek to transfer practices and supporting processes to subsidiaries. These research questions entail the analysis of the transfer process within MNCs. Little research of this nature has been conducted in Russia, therefore this research analyses the process of the transfer of MD practices to the Russian subsidiaries of two British-based multinationals. The literature review has also identified a number of gaps in recent research, which are mostly due to the lack of contextual analysis of MD processes.

Specific research questions entail a particular research methodology and design. Other issues that are taken into account include the specific context of the host country, the nature of management research (especially studies concerning MD), and the exploratory and explanatory nature of this work aiming, as it did, to contribute to the development of theory and to test existing theory. In order to cope with the complexity of the research and to answer the research questions, an approach using comparative contextual, historical analysis in which specific organisational context is examined was deemed to be most appropriate. This was especially necessary given the paucity of existing Russian material on the nature of managerial behaviour. Therefore, this thesis employs historical and longitudinal case studies of the two British-based MNCs. The case studies are historical in nature, in that they analyse the recent managerial history of these subsidiaries, and longitudinal in that the fieldwork extended over seven years.

This chapter is organised as follows. It starts with a discussion of the relevance of qualitative research methodology in respect of a specific area of study. Then, the methodological use of multilevel analysis and the longitudinal case study approach are justified. The next section deals with the process of operationalisation of the study including sample identification. This is followed by a detailed account of the fieldwork, describing the process of data collection and examining both its difficulties and achievements. Some issues concerning the conduct of research in Russia are also described. Data analysis and interpretation as well as considerations of the generalisability of the research findings are presented in the last section of this chapter.

## **4.2 Research methodology**

The aim of this section is to define the nature of the research in terms of the issues that are to be explored and the level of their interdependence in order to propose a research methodology relevant to this particular study. The suitability of a qualitative approach to the study of the issues highlighted above is discussed and justified.

### **4.2.1 Contextual analysis of MD processes**

As analysed in the literature review, there is a research gap within the academic literature. There tended to be a lack of contextual analysis of transfer processes due to a neglect of how and why different forces influence and determine management and MD processes in MNCs' subsidiaries. Another methodological problem highlighted in the literature review (e.g. Stewart et. al., 1994) is that there is no systematic analysis of the impact of context on managerial behaviour. Furthermore, MNCs' subsidiaries are rarely seen as organisations with their own identity and dynamics, evolving from the interaction of many different forces and elements. Given that most of these studies have utilised surveys (Mumford, 1987), an alternative approach is needed. In addition, a number of issues have been raised in the literature which have to be taken into account in order to select a research methodology which enables the analysis of the influence of context on the nature of



MD practices and the ways in which MNCs seek to transfer these practices to their subsidiaries. The social context of MD practices and contextual rationality stress the importance of micro- and macro-analysis which cuts across the organisation / environment boundary.

Given that the area of study presents complex and interdependent issues, the only way to understand them is to observe and analyse real events. Edwards et al. (1993) argue that research methodology for this kind of study should take the form of empirical investigation, capable of uncovering informal processes and mechanisms of control and negotiation within firms. Such an approach is particularly appropriate if the researcher is to explore the dynamics of organisational micropolitics and the constraints within which it operates, evaluate the influence of historical legacies, and address the subtle interactions between structure, strategy, national and corporate culture (Ferner, 1994). This is because qualitative research allows the researcher to follow complex linkages and explore processes (Ferner, 1997). As suggested by the research framework (Figure 3.1) in Chapter 3, analysis of these is especially important in this research.

The importance of the examination of how the various contextual influences are disseminated through the organisation to produce specific management and MD practices and processes has been highlighted by the literature review chapters. Contextualising MD, in turn, requires a qualitative form of analysis (Storey, 1990; Porter, 1991; Yin, 1989). According to Calori (1996), interpretive studies, such as those of subsidiaries of an MNC, can provide rich comparative descriptions of practices, beliefs and basic assumptions in different locations, and thus throw light on the complex processes and linkages involved in the process of management. Furthermore, as Bryman (1988: 103) stressed, “the image deriving from qualitative research gives a sense of reality in processual terms and as socially constructed”. This is particularly important in this study, which is focused on the internal dynamics in the organisation involved in the change process. An interesting question is to understand how people make sense of transferred practices, given that these practices are structured by a different context.

Equally, this methodology allows for the adoption of an historical perspective, the importance of which to understanding management behaviour and patterns of labour



relations has been emphasised in the literature review (e.g. Dore, 1990; Chandler, 1990; Gospel, 1992; Crouch, 1993). As suggested by the framework (Figure 3.1), an historical analysis is crucial to the construction of explanations about the organisational identity of companies and their management practices (e.g. Bartlett and Ghoshal, 1989; Hendry and Pettigrew, 1992).

Furthermore, the framework of this study (Figure 3.1) has highlighted that in order to analyse the process of transfer of MD practices within MNCs, it is important to consider interactions among different factors, including national business and cultural environments, industrial influences and different units of organisation. Therefore, investigating the process of transfer requires the use of a multilevel analysis (Hendry and Pettigrew, 1990). Pettigrew (1990: 271) points out that a detailed comparative case method provides the opportunity to examine processes in context, drawing on the significance of various interconnected levels of analysis. This contextual analysis of a process draws on phenomena at vertical and horizontal levels and the interdependencies and relationships between those levels across time. Therefore, the multilevel perspective allows for a simultaneous examination of the institutional and organisational contexts within which the phenomena occur. At the same time, it permits the analysis of the sequential connections among phenomena in historical, present, and future time. As Fox-Wolgramm *et al.*, (1998: 91) argue, ignoring a multilevel perspective results in a lack of understanding of how organisational dynamics are embedded in an institutional and temporal context. Therefore, this thesis adopts the multilevel approach as a means of understanding the particularities and dynamics of different national institutional and organisational environments in the process of transfer of management and MD practices in MNCs. The levels of analysis are interlaced and their role in influencing the process of transfer of MD practices was explained in Chapter 3 (Figure 3.1 and Figure 3.2).

An understanding of organisational dynamics can be further facilitated by a longitudinal research design. Thus in relation to the analysis of MNC subsidiaries, Andersson and Forsgren (1996) point out that the transfer of different management practices and techniques at the subsidiary level should be studied over time. This thesis adopts the longitudinal approach as best suited to exploring underlying relationships and informal processes by including the context in which management activities occur, and thus providing explanations of how and why the dynamics of



these nationalities and organisational features inform managerial behaviour (Welch, 1994; Parkhe, 1996).

#### **4.2.2 Russia as the context of study**

The choice of the country of operation provides further support for the qualitative methods employed in this study. Given the specifics of the situation in Russia, many researchers suggest the particular use of the qualitative approach to investigating complex and interdependent issues of management in the country (Lawrence and Vlachoutsicos, 1990; Bruton and Rubanik, 1997; Welsh et al., 1993). This is primarily due to the dearth of management research (which necessitates more exploratory and explanatory works), the specific business environment, and the distinctive historical heritage of management traditions in Russia.

Management in Russia is deeply rooted within a particular historical context, and is shaped by the particular environment specific to this country. Therefore, current models of Russian management can be understood only on the basis of comprehensive studies. According to Lipsitz (1995), when analysing managerial behaviour, it would be wrong to limit oneself to the study of aggregate data. In order to give a more realistic picture, it is necessary to probe the internal structure of the companies.

The attitude of Russian managers towards research was another issue taken into account in selecting research methodology. Given certain peculiarities of management culture in Russia it was deemed problematic to rely on surveys alone in order to obtain the information required not least because a very low response rate can be expected. In a country where personal relationships influence business relationships, unless a researcher can establish a good rapport with an interviewed manager it is hardly possible to expect to get an insight into the situation.

Finally, cross-cultural research focussing on management behavioural issues in Russia is still scarce. Despite the attention given by those in the West to this issue, an appropriate understanding of the nature of the differences in institutional and cultural characteristics between Russia and other countries is often not achieved, and

comparisons are made without making a proper systematic analysis of the whole environment in each country (Shama, 1993). Again, there is a need for the wider use of qualitative approaches, given that they are in important respects superior to large-scale surveys in terms of identifying and clarifying trends, particularly in a period of turbulence, in which old norms are dying and new norms have yet to take their place (Standing, 1996). Given the lack of management knowledge in Russia, management research may need to be more in the form of exploratory and explanatory studies, as discussed below.

#### **4.2.3 Exploratory and explanatory research**

The research undertaken in this thesis is exploratory and explanatory in nature. This approach specifies particular steps to be undertaken in order to carry it out. Given the complexity of research it seems problematic to have strong a priori constructs in terms of research hypotheses and variables based on existing theories with consequent “structured operationalisation” of these variables, which are the features of survey type research (Child and Loveridge, 1990). On the other hand, the suitability of the qualitative approach for theory development has been widely discussed in the literature (Eisenhardt, 1989; Yin, 1989; Pettigrew, 1990; Porter, 1991). This methodology enables the researcher to go deeper into complex matters, which are not wholly understood, thus helping to explore the field and to assist in generating hypotheses (Stewart et al., 1994). On the whole, when the subject of study is highly complex, qualitative research methods are more useful (Yin, 1989).

Given that this study deals with the under researched topic that is the analysis of contextual influences on MD processes in the process of transfer of MD practices within MNCs, a qualitative mode of inquiry is helpful as it provides insights into the complex interrelationships between factors identified by the various contributory theoretical perspectives (Child and Smith, 1987). By employing this methodology, the researcher can use a more suitable tool to collect the data necessary for exploration and explanation (Duncan, 1979). At this stage, the richness and completeness of data collected is a primary concern to promote the effectiveness of theory development. Flexibility in terms of possible adjustments and changes to data



collection instruments during the data collection process and the possibility of incorporating and building upon findings from preliminary investigation offered by the case study approach are particularly helpful in this process (Eisenhardt, 1989). Starting with an initial guiding set of ideas to collect and verify data, the methodology also allows for adjustment in the light of contingencies that might affect the original hypotheses and iterations between steps (Yin, 1989; Eisenhardt, 1989). Furthermore, the construction of a framework that encompasses the existing theory, stressing relationships among the key variables of the phenomena under study, can be a useful mediator mechanism linking research questions, empirical testing, and theory construction.

However, it should be acknowledged that the case study approach is a time consuming and labour-intensive process. The intrinsic needs of the methodology require specific analytical skills as it makes fairly heavy demands on the goodwill of the managers and the interpersonal sensitivity of the researchers (Stewart et al. 1994). Case-study research is based on semi-structured interviews, the analysis of documents, and observation; thus the coverage of respondents is narrower and the analysis of results is slower and more complex. Calori (1996) notes that rich interpretive research is limited by the number of cases that a researcher can study in a given period of time. Finally, this type of research requires substantial access to organisations, which might also present difficulties.

Given the difficulties mentioned above, there is always an alternative route - to employ quantitative research methods. These do have some disadvantages, however (Yin, 1989; Bryman and Burgess, 1994; Downey and Ireland, 1979). The objective of this chapter, nevertheless, is not to present a discussion of the advantages and drawbacks of qualitative and quantitative research methods by comparing their suitability for investigating social and organisational issues. The argument is that when studying the influence of context on the nature of MD practices and the ways in which MNCs seek to transfer these practices, as well as the processes surrounding their transfer, qualitative methodology can provide a much better insight than quantitative methods.

### **4.3 The research design of this thesis**

This section presents the research design of this thesis in order to structure the study and empirically operationalise the investigation. The general aim of research design is to connect the empirical data to the questions thus leading to the conclusions (Yin, 1989). The research design, including its major steps and activities, are presented in table 4.1 below.

The importance of this research in terms of the questions it addresses has been confirmed by thorough analysis of the academic literature. It takes into account findings from the existing literature in defining key areas of investigation and providing a framework for an analysis of the contextual factors in the process of the transfer of MD practices within MNCs (Chapter 3). Context in this thesis is described from different perspectives, and its influence on management processes and managerial behaviour is analysed at different levels. A simultaneous examination of institutional and organisational contexts within which the phenomenon occurs allows a better understanding of the peculiarities and dynamics of different national institutional, societal and organisational environments and the extent to which management processes are embedded in their contexts (Räsänen and Whipp, 1992). In this thesis the relevance of British management development views to the Russian reality is examined. This is an investigation of interactions between the national macro-level and the micro-level of individual business actors to identify the degree it shapes managerial behaviour in subsidiaries of two British-based MNCs.

The major research findings come from the exploratory analysis based on in-depth studies of two large British-based multinational companies. Data collected in British subsidiaries of these multinationals allow descriptions of the systems and practices adopted which are then used as illustrations of the British MD practices in these MNCs. Data collection in Russian subsidiaries of these MNCs is more extensive. Initially, a pilot study in one of the companies was conducted with the aim of testing data collection methods and techniques. Insights from this study allowed refinement of research techniques by providing information on how research issues as formulated from the literature review could be better translated into specific questions. Given the overall paucity of information about MD practices and processes in Russian subsidiaries of the two MNCs involved in the study, which



were at the time of the first fieldwork at their initial stage of development, the decision was made to concentrate on gaining information about the focus and priorities in MD and the scope of MD in the subsidiaries as well as the practices transferred and the ways in which they were transferred. Also, the initial case studies of the two British-based MNCs aimed at identifying issues that would be the basis for the following in-depth studies of the companies.

Table 4.1 The research design of this thesis

Step	Activities
Defining the research scope and objectives	Identification of research problem; literature review; definition of research questions; developing a priori theoretical constructs; selecting methodology
Selecting cases	Select cases; define data collection mechanism
Pilot study	Testing data collection techniques and methods; refinement of techniques
Conducting first fieldwork	Data collection; combinations of different sources of evidence
Development and further refinement of a framework	Developing a theoretical base within which to analyse and explain the phenomena; iterative tabulation and construct of evidence; identifying issues requiring further investigation
Second fieldwork	Exploring issues identified during the first fieldwork stage as requiring further investigation
Analysing data	Within-case and cross-case analysis under the framework; continual feedback with fieldwork
Relevant literature	Comparison with conflicting and similar literature
Reaching results	Theoretical conclusions; further development of theory and summarising policy implications

The study of MD processes in Russian subsidiaries and comparative analysis of the approaches they used to introduce their systems describe mechanisms used to transfer and disseminate MD experience within MNCs, and the extent to which this experience can be deemed appropriate to the Russian context. This analysis helps to

define the degree of compliance of actual managerial behaviour in Russian subsidiaries with formal structures existing to channel and control it in terms of implementation and results. These data highlight the role of organisational context in shaping MD and sensitise the researcher to further explore these issues, given the need to illustrate development of the situation in the subsidiaries.

However, only one case study could be developed into a longitudinal study, owing to difficulties with access to another company during the second phase of the fieldwork. Nevertheless, the company where access was secured was more interesting, given its longer presence in Russia and other issues related to the development of a brownfield subsidiary. The longitudinal study of this company addresses the issue of the applicability of MD approaches transferred by the parent companies to their Russian subsidiaries in terms of structuring and channelling managerial behaviour by the use of formal systems. Furthermore, it stresses the importance of interaction, negotiation and interpretation of the practices transferred in transfer processes.

National institutional and societal environments, both in the UK and Russia, are analysed using the national business systems framework as described in Chapter 5. This thesis is not directly concerned with sectoral issues. Since the companies in this study operate within the Fast Moving Consumer Goods (FMCG) sector, the case study chapters analyse the influence of the industrial sector for each organisation. Also, in order to understand organisational dynamics in relation to its institutional and temporal context, the investigation takes an historical perspective that allows a concentration on the changes in institutional, industrial and organisational levels over time. Within organisations, in order to gain a better understanding of country-of-origin factors, the investigation focuses on different levels within the corporation: the global corporate level where strategic decision-making takes place and international corporate systems are designed, and the level of operations where these corporate-wide systems are implemented within a specific national context.

The following section presents a detailed account of the conduct of the fieldwork carried out in this study. It describes the research tools used, provides justification for the countries, industrial sector and companies chosen, and acknowledges some difficulties encountered in conducting the fieldwork.



## **4.4 Operationalisation of the study**

The analysis of the academic literature motivated the choice of countries and industrial sector. The decision to concentrate fieldwork on the organisational dynamics in Russian subsidiaries and on middle management has also been influenced by this analysis. The close relationship between the business world and the local academic institution in Russia where the researcher was employed provided the necessary access to the companies, which was secured by written permission obtained by the researcher from the top management of those companies.

### **4.4.1 Selecting countries**

There were a number of influences in the choice of Britain as the country-of-origin of the MNCs involved in this research. Edwards et al. (1996), discuss reasons why British firms are useful. Although existing research focuses mostly on American and Japanese firms (Stewart et al., 1994; Calori, 1996; Ferner, 1997), British capital is more globally oriented than that of any other major advanced economy (Edwards et al., 1996). Britain is also one of the most important bases of MNCs in Europe. British firms are likely to exhibit the tensions of the process of internationalisation particularly clearly. Thus, British firms are well-known for their short-term focus and a lack of attention to training and management development, as opposed to retention for long-term development (Lane, 1992; Stewart et al., 1994). The question of whether the behaviour of British firms change when they are faced with the need for an international cadre of managers remains open (Ferner, 1997; Marginson and Sisson, 1996).

A specific reason for selecting British-based multinationals is related to the context of this research. According to Ferner (1997) the choice of countries of origin for such research should be based on the differences in national business systems. This is necessary to allow the country-of-origin effect to come through. Anglo-Saxon management views are very new to Russia. Historically, the management systems in Russia were much closer to those of Germany and France (Gershenkron, 1997; Crankshaw, 1976).

Russia has been chosen for many reasons, not the least of which is that the researcher is of Russian nationality and, therefore, speaks the language and understands the culture. The most important reason for selecting Russia, however, is a dearth of work in the field of management research. Russia has a particular institutional framework, organisational and managerial culture and corporate system. The complex national pattern of labour relations results from a lack of national regulations concerning HRM / IR issues, and labour laws from Soviet times still in force. Though some empirical investigations on managerial roles and behaviour have been carried out in other countries, very little is known about the behaviour of Russian managers who, in spite of their role in Russian society, have rarely been the subject of empirical studies. The situation in Russia has also influenced the selection of the sector of industry.

#### **4.4.2 Selecting the Industrial sector**

First of all, the decision to adopt a single industry approach in the study was made. This was done with the aim of allowing sound comparison between the organisations' responses to the same environmental changes (Lawrence and Lorsch, 1967; Fox-Wolgramm et al., 1998; Meyer et al., 1993).

The FMCG sector was selected primarily due to its current high rate of development in Russia. Analysts claim that the consumer market, especially the food industry, is considered fast growing in Russia (Gurkov and Kossov, 1994; *Economist*, 18.03.1995). At the same time, during the past few years, those foreign companies which increased their presence in the Russian market were generally large FMCG companies (*Economist*, 18.03.1995). Also, the FMCG sector is one in which some local companies, though traditionally underdeveloped, could catch up with the leading MNCs operating in the Russian market in a relatively short period of time. This increased competition has influenced the speed of the transfer of management and MD practices to the Russian subsidiaries of the multinationals under study.

In the USSR, more advanced models of management were deployed in the high technology and military complex enterprises (Warner et. al., 1993). However, after the demise of the Soviet Union it was hardly possible to find an enterprise from these



sectors in which to interview managers about any development-related issues. As part of a pilot study, the researcher visited three enterprises in St. Petersburg, which previously were part of a military complex, to discuss issues related to the development of their managers. In Soviet times all these enterprises had complex and structured approaches to the development of their personnel, but given their current situation in the market their present development activities are reduced to on-the-job training of their workers. Even though the data obtained during those visits were not sufficient for in-depth case studies, they served as a basis for describing the Soviet model of MD presented in Chapter 5.

Another issue considered when selecting the industry sector was that, in contrast to Russia where this sector was notoriously underdeveloped, Britain had a record of long-term success, particularly in the FMCG sector (Child and Smith, 1987; Williams, 1931). At the same time the FMCG sector is also interesting because of its implications in relation to HRM; it is a labour intensive manufacturing sector affected by local labour legislation and practices. Thus, the FMCG sector represents an ideal case for a cross-national study aiming to identify the role of national and organisational contexts on the management of MNC subsidiaries, given that company regulations continue to maintain an important national identity.

#### **4.4.3 Selecting case study companies**

While selecting companies for case studies, several issues were taken into consideration. According to Eisenhardt (1989) and Yin (1989), determining the population and its features for case selection is critical because it defines the set of entities from which the research sample is to be drawn. Again, the nature of this research and its focus on investigating the influence of context on the transfer of MD practices within MNCs were determinants in the selection process. Given the specific environment of the host country, only those companies having over 200 employees were considered of interest for this research. This is because only when a company has a large number of employees does it become involved in management development activities (data from the pilot study). At the same time, because in-depth case study is a time consuming process, it was decided to focus on

organisations where the need for MD was more pronounced. It was very important when negotiating the required access to both British companies and their Russian subsidiaries.

The choice of MNCs was constrained by the availability of secondary data for Russian companies. Due to the absence of reliable local sources of official statistical information about companies operating in the FMCG sector in Russia in 1996, the period when the decision was made, the researcher used a list of British companies operating in the country obtained from the British Embassy to identify the companies present. Both multinationals selected – Unilever and Cadbury Schweppes – were well documented in the academic literature (see, for example, Williams, 1931; Coller, 1996; Smith et al., 1990) and, given their importance, information was also available in newspapers and on the Internet. Furthermore, the selected multinationals also pursued different business strategies for setting up in host countries, specifically brownfield and greenfield business strategies. These strategies are appreciated in this study as a key issue with relevant MD implications. Cases with very different and distinctive features, according to Pettigrew (1997), help to construct a much better theoretical argument and discover the underlying process.

Prior to investigation, substantial access was confirmed in both multinationals. However, negotiating access to the companies was not easy. In both companies it was constrained by the availability of contacts with key people in the organisation. Another important issue was that at the time of research, companies experienced enormous time pressure mostly related to their marketing and production activities. Thus, though there was a common appreciation of the importance of MD to successful company activities and a general interest in the research, pressure on the subsidiaries of the multinationals to be more competitive made negotiation of access even harder.

#### **4.5 Fieldwork: data collection**

Initial fieldwork in this study was conducted over the period 1996-1997, both in the UK and Russia. Second fieldwork was conducted in Russia in 2002. As highlighted above, the major reason behind the extension of the fieldwork was the need to obtain



information about the companies' evolution during the last few years for the longitudinal study.

From the initial stages it was decided to concentrate the fieldwork on the Russian part of the study given the area of focus and the limited availability of secondary data. At the same time, in order to cope with the complexity and diversity of organisations, the approach was to look at two operating subsidiaries within each company, and at the headquarters to gain an overview of the organisation as a whole. Interviews in the headquarters were also needed to get a broader view of MD activities and comprehend the underlying dynamics at the level of the subsidiaries as well as to avoid the possible bias of a limited perspective.

The main fieldwork method was semi-structured interviews with managers. The main reason behind this choice was that it seemed to be the most suitable method to investigate the underlying processes related to the transfer of MD practices, especially in Russia. As highlighted earlier in this chapter, in Russia it is important to establish a good rapport with an interviewed manager, and, therefore, it is problematic to rely on questionnaires alone in order to obtain the information required. All interview schedules are presented in Appendix A.

Initial fieldwork in this study was mostly focused on the identification of the scope of MD processes and practices in the two MNCs. In each case the study began with interviewing senior HR managers at both subsidiary and HQ levels. The aim of these interviews was to acquire information about the company's business environment, its objectives in MD and features of the managerial labour market. During the interviews, emphasis was placed on understanding the role of personnel and MD policies, systems and procedures. Interviews in company headquarters concentrated on personnel policies in international operations. These interviews helped the investigation of the broader context and function of MD in the organisations, and the description of the systems and practices adopted.

This was followed by a number of interviews with middle managers at the subsidiary level. Interviews with line managers in UK subsidiaries of the multinationals helped to clarify the extent and content of MD practices applied in their organisations. The focus of these interviews was on the content of MD practices, that is, on the ways

these managers were recruited, trained, appraised and developed in their organisations. A purpose of the interviews conducted in Russia was to identify the practices transferred to the subsidiaries and their actual implementations. Given managers' limited experience with MD during the initial fieldwork in 1996-1997 (the initial phase of development of the subsidiaries), the focus of the interviews was on the extent and context of MD practices applied in their organisations. However, it was also possible to discuss managers' attitudes to and concerns about the transferred practices when they were invited to tell their own stories about their experiences of MD. This emphasis on how managers experienced MD in their organisations was particularly strong during the second phase of the fieldwork (in 2002) in a Unilever subsidiary in Russia, and the interview schedule was designed to reflect this focus (Appendix A). The average interview took more than one and a half hours.

A number of issues in conducting cross-cultural research were taken into account while developing interview schedules, collecting data, and interpreting the data obtained. The language barrier might become a particular issue when conducting interview-based research in a country other than your own (e.g. Brislin, 1976; Tayeb, 2001). Furthermore, the researchers' own cultural values and attitudes could get in the way of understanding their subjects of study (Tayeb, 2001). Finally, the issue of dealing with culture-specific items, which are meaningful and appropriate in only one culture, needs to be taken into account. In this study a number of techniques were used in order to help the researcher to carry out sound research. The literature (Cavusgil and Das, 1997) suggests that a substantive knowledge about the issues being studied by the researcher is a fundamental prerequisite of sound comparative research. Therefore, the literature review about MD practices in both countries (Chapter 5) helped the researcher to clarify the meaning of MD practices prior to conducting research interviews. Furthermore, with regard to translation and interpretation problems, a technique called "decentering" was used. The aim of "decentering" (Brislin, 1976) is to provide and understand meaning, rather than to translate the issues directly. It was possible for the researcher to discuss cross-cultural issues of language with her colleagues in the UK and in Russia during her research, in order to discuss and clarify the most sensitive cultural issues.

To give the sample a representative quality, it was considered important to select managerial jobs in different functions to highlight consistent differences between the



two countries, and to identify the scope of MD in the organisations. Middle management was chosen because it is the principal focus of MD in Russia nowadays. The number of managers interviewed in each company was dependent upon the total number of managers in the company, and the extent to which access to the company was successfully negotiated. The focus of the study entailed more interviews in Russia than in the UK. A total of 101 interviews were carried out. The distribution of the interviews among the different companies is presented in the table below.

Table 4.2 Distribution and number of interviews

<i>Company</i>	<i>HQ</i>	<i>UK</i>	<i>Russia pilot</i>	<i>Russia 1996-1997</i>	<i>Russia 2002</i>	<i>Total</i>
Unilever	2	7	12	18	13	52
Cadbury Schweppes	3	6		12		21
Local companies			8	20		28

The pilot study in Unilever and in some local companies in Russia in 1995 brought out some important issues concerning the technique itself. In short, the researcher in Russia should be very careful during an interview if he or she is to obtain the data needed. Russian managers are suspicious of any activities with uncertain outcomes such as, for example, research undertaken by an outsider. It is crucial for a researcher to become “known” to the organisation and an individual manager, for example by obtaining references from the top management and adopting a personal approach.

A similar phenomenon has been described in the literature. Thus, according to Ebster-Grosz and Pugh (1996), the pressure to show positive aspects is greater in situations where the observer is external to the group, and also the same pressure is greater in cultures where collective responsibility and personal blame are strong. Easterby-Smith and Malina (1999), while facing similar problems in their own research, stressed that the quality of the relationships between researchers and their interviewees was crucial to the successful completion of the project. In Russia, while interviews provided useful insights, one should be aware that the answers, in some cases, were filtered by the respondent’s experience and expectations. This was

particularly obvious in interviews with middle-aged managers, but young managers were usually more open.

Therefore, the interviews with Russian managers undertaken in this research were more in the form of a discussion than a formal interview. This required the researcher to demonstrate initiative in persuading and stimulating respondents, in order to allow greater flexibility in questioning and responding to interviewees, and in order to provide more opportunity to clarify complex and abstract questions. The trick was to keep a central focus for the interview, but to adjust the pattern of questioning to each situation. Furthermore, the focus of the interviews was on relationships with the company, so statements about attitudes and personal perceptions on topics of work interest were given indirectly, and usually in support of other statements. This lessened the pressure to give “organisationally appropriate” statements. To conduct these interviews it was crucial that the researcher could speak the same language as the interviewees.

In the UK all interviews were recorded, as were those with British managers in the Russian subsidiaries. However, some Russian managers even objected to the taking of notes. The problem of information loss was counteracted by conducting follow-up interviews with the same person. This allowed for expansion and clarification of the data obtained. After every interview, the information was analysed and used to determine the next set of questions, to probe for more accurate information at the next stage and facilitate the understanding of many subtle processes.

As mentioned above, a key advantage of the case study approach is that it allows data gathering from multiple sources rather than a single source, and the use of a variety of data collection methods (Van Maanen, 1982; Yin, 1989). Table 4.3 below summarises the sources of information and the data collection methods used in the study.



Table 4.3 Sources of data and data collection methods used in the study

Country	Data collection methods
UK	Semi-structured interviews with HR managers in HQs Semi-structured interviews with HR managers in subsidiaries Semi-structured interviews with line managers in subsidiaries Company secondary data Other secondary data, e.g. publications in academic literature Internet corporate pages
Russia	Pilot study in Unilever subsidiary – semi-structured interviews with line managers Semi-structured interviews with HR managers in subsidiaries Semi-structured interviews with line managers in subsidiaries Secondary company data Secondary data on Russian labour market Semi-structured interviews with managers in local Russian companies Internet company data Direct observation in Unilever subsidiary Other secondary data, e.g. publications in academic literature

With the aim of ensuring the reliability and accuracy of the interview information, data gained from the interviews was triangulated with multiple data sources, including various types of archival records and internal company documentation. A wide range of published secondary data was consulted, ranging from book publications and journal articles to newspaper cuttings and Internet corporate pages. Other research techniques, such as direct observation and visits to different premises, were used in order to enhance, triangulate and validate the information from the interviews. Thus, the researcher had the opportunity to directly observe the work of managers in the HR department in Unilever that ultimately enhanced her understanding of the complexity and dynamics of the organisation. It raised some issues which initially were not considered in the interviews, and provided invaluable actual examples. Despite the difficulties described above, the access obtained in the multinationals was considerable. A systematic monitoring of the companies in the

press, and published research works available on the Internet, further enhanced data collection.

#### **4.6 Data analysis and writing up cases**

Data analysis and interpretation is the most critical and difficult element within qualitative research (Yin, 1993; Miles and Huberman, 1994; Ebster-Grosz and Pugh, 1996). Furthermore, interpretation should be performed very carefully, especially in the area of cross-cultural research, otherwise the results can be misleading. Recent cross-cultural studies which employed a qualitative approach to the study of transfer processes (e.g. Domsch and Lichtenberger, 1990; Broad, 1994; Belanger et. al., 1999) expressed some caution concerning data interpretation. For example, it should not be interpreted with the assumption of common meanings given the many differences between cultures. Therefore, different institutional and cultural environments have to be acknowledged, understood, adjusted to and looked for in the explanation of differences in management processes in different countries, even when similar formal structures are established.

The framework of this thesis, developed in Chapter 3, provides a system for use in the investigation of phenomena, and specifically how to understand the process of transfer of management and MD practices within MNCs. It was deployed in this study for the analysis of different influences on this process, with an attempt to analyse all manner of interdependencies. By highlighting the linkages which cut across the organisation / environment boundary in shaping the perception and use of MD in MNCs, the framework (Figure 3.1) emphasised the influence of context on MD processes and practices in the organisation. Therefore, specific questions in the interviews (Appendix A) focused on the extent and content of MD practices and, specifically in the Russian fieldwork, on how managers in the subsidiaries experienced MD as well as their attitudes to MD.

In analysing the data the stress was on trying to interpret the behaviour of managers in two different countries by appreciation of those factors that contributed to and shaped their approaches to work. The existing body of literature helped to develop hypothetical “ideal-type” British MD practices and “ideal-type” Russian MD



practices (Chapter 5), which were then described in more detail using two examples of companies involved in the study. By analysing the differences in management styles and work attitudes, shaped by the national cultures and the perceptions of management within society, there was an attempt to highlight the extent to which managers draw on national stereotypes in their behaviour. Analysis of the tension that accompanied the transfer of practices also highlighted the importance of processes to successful transfer, and other issues pertinent to the inner organisational context.

Due to the richness of data collected, it was decided to organise and structure the information by writing extensive descriptive case studies of each firm. Further analysis allowed rewrites of these case studies to organise them around certain issues. The final forms of the case studies (chapters 6 and 7) relied heavily on the theoretical framework described in Chapter 3. The conclusions in both case studies are cross-referenced with the literature, and differences and similarities between both case studies are discussed and summarised in Chapter 8.

Given that case study research constituted the core of this study and formed the basis for developing conclusions, there was a concern about the broader validity and generality of these findings. The general validity of a case study does not rely solely on whether the particular case being studied is representative, but rather on the plausibility of the logical analysis (Mitchell, 1983). The aim of this research was to establish detailed empirical evidence on the process of the transfer of MD practices within multinationals which would make it possible to address complex theoretical issues of managing human resources in international settings. Consideration of two firms enabled a comparative analysis of their logic and dynamics. The analysis also aimed to establish an understanding of the interaction between the different factors that influence the process of transfer. The findings cannot be generalised to every British-based MNC operating in Russia. Rather, the two MNCs involved in the research can be regarded as examples showing how multinationals from a particular business environment deal with a new setting and introduce a system of MD, as well as the extent to which that system shapes local managers' behaviour, as a tool for transmitting their practices and processes. However, this thesis highlights the possibility of generalising about factors that are always likely to play a key role in the process of the transfer of MD practices by shaping managerial behaviour in MNC

subsidiaries; namely the interplay of wider national and inner organisational contexts. Finally, given the exploratory nature of the study, the phenomena scoped and processes uncovered serve to enhance knowledge of managerial behaviour in Russia and provide fundamental information for future researchers.

## **4.7 Conclusions**

This chapter presented and discussed the research methodology of this study. Given the specific research interests of this study the argumentation is provided to support the view that qualitative research methodology is suitable and relevant. The study investigates the influence of context on MD processes within the context of the transfer of MD practices within MNCs. Furthermore, the specific context of the host country and the exploratory and explanatory nature of this work have been acknowledged by selecting an approach which uses comparative contextual, historical analysis in which specific organisational context is examined. The choice of methodology has also been supported by the analysis of gaps in the academic literature due to neglect of contextual analysis of MD. This thesis employs historical and longitudinal case studies of the two British-based MNCs.

This chapter describes in detail the research design and data collection methods employed in the study, paying attention to the levels of analysis, the forms of case studies used, the selection process of countries, industry sector and companies constituting the sample, and some difficulties encountered during the conduct of the fieldwork. Special attention is given to the way in which research issues have been operationalised into specific questions and this study. Considerations about the generalisability of the research findings are also presented.

It has been argued that employing a case study approach, securing data validity by using multiple sources of evidence and data triangulation, using the framework in the investigation of phenomena, and following a systematic approach to analysing and interpreting these data and writing up case studies, all allowed the achievement of the final aim of this work: to generate theoretical insights on MD processes within a cross-national setting of MNCs.



The following chapter identifies “ideal-type” MD practices in the two countries – the UK and Russia - as structured by their national contexts. It also generates hypotheses in this study.

---

---

# *CHAPTER 5: MD practices within their societal-institutional context: the UK and Russia compared*

---

---

## **5.1 Introduction**

This chapter focuses on the relationships between institutional and cultural contexts and distinctive management and MD practices. The chapter develops a comparative analysis of the UK and Russian societal-institutional contexts. This will then form the basis for consideration of how management and MD practices within each country may be socially embedded and institutionally structured and provide a framework within which the research questions are addressed. This research aims to examine the influence of institutional context on the nature of MD practices and the ways in which MD practices develop. It also seeks to examine the influence of institutional context on the ways in which MD practices are transferred and received in MNCs, as well as to examine other factors shaping MD practices and their transfer process in MNCs.

Comparative analysis of the UK and Russian societal-institutional contexts and the influence of the institutional contexts on MD practices in these countries help to identify “ideal-type” MD practices in the two countries. Acknowledging the danger of oversimplification, these identified practices are useful heuristic devices for the formulation of hypotheses. They highlight areas of potential tension which accompany the transfer of practices developed in the UK into Russia. The rationale is to explain why this tension occurs, drawing mostly on the broader context, concerning management and MD practices in the two countries.

As highlighted in Chapter 3, managerial systems are developed within a particular context. Therefore, it is possible to identify the influence of the dominant institutions,



specified under the framework (Figure 3.1 and Figure 3.2), on MD practices in the country. The explanation of differences between individual business systems depends on an analysis of all the key institutions and how they interdependently structured the specific form of economic organisation that developed. The focus on management within its institutional context draws attention to the historical and cultural evolution of management in the countries under study. An historical review provides a useful background needed to understand features of key institutions in a given country, which in turn is particularly important for understanding business systems and dominant firms' characteristics developed in this environment. In order to run these firms successfully, managers are educated and developed in certain ways. Therefore, it is possible to identify "ideal-type" MD practices in a given economy. When transferred to another context, these practices might be resisted and/or misunderstood, thus the transfer might be accompanied by tension. Furthermore, as highlighted in chapters 2 and 3, there might be other contextual factors, including the ways in which MNCs seek to transfer their practices, and processes surrounding their transfer to subsidiaries that contribute to increased misunderstanding and tension.

This chapter is structured in the following way. It starts with a brief historical account describing the process of industrialisation in the two countries and, emergent from this process, their institutional frameworks. It then proceeds to look at the influence of each institutional factor on the business systems, features and characteristics of dominant firms in each country. This is followed by the discussion of the impact of institutional and societal complexities on MD practices adopted in the two countries with the aim of identifying "ideal-type" MD practices in the UK and Russia correspondingly. The analysis of differences in "ideal-type" MD practices in the UK and Russia is presented, and hypotheses formulated. Other factors that contribute to increased misunderstanding during the process of transfer are also identified. As highlighted in this chapter, they are the perpetuating influence of value systems and cultural values on managerial behaviour, as well as the ongoing macroeconomic changes in Russia. These factors make transfer even more challenging.

5.2 Institutional features: the UK and Russia compared

This section compares key features of the dominant institutions in the UK and Russia as shaped by their industrialisation processes, and highlights the implications of these for each country's business systems and prevalent industrial structures. Table 5.1 presents a summary of the comparative analysis of the key institutional features of the UK and Russia. Drawing on Whitley (1999) the comparative analysis is carried out on the state, financial system, skill development and control system, and trust and authority relations. This table highlights significant differences in key institutions in the two countries which are discussed and compared in this section under different headings.

Table 5.1 Key institutions compared: the UK and Russia

Institutional Features (UK)	Institutional Features (Russia)
<p><b>The State</b> Arm's length institutional context; Regulatory state No well-developed collective intermediaries Weak market regulation; corporate markets</p>	<p><b>The State</b> Dominance of the state in regulating economic processes Tight control of intermediary associations by state Formal market regulation</p>
<p><b>Financial System</b> Capital markets; allocation of capital by price and at arm's length</p>	<p><b>Financial System</b> State-regulated credit allocation State control of banks</p>
<p><b>Skill Development and Control System</b> Weak public training system Training is governed by ad hoc arrangements with little or no central co-ordination Unions may be influential at times; organised around craft skills Bargaining is decentralised</p>	<p><b>Skill Development and Control System</b> Generally weak public training system State regulation of labour markets Extensive general education and training Generally weak unions controlled by the state</p>
<p><b>Trust and Authority Relations</b> High reliance on formal procedures Authorities predominantly procedural</p>	<p><b>Trust and Authority Relations</b> Low trust in formal institutions governing relationships Authority is paternalistic in nature</p>

Sources: Whitley, 1999

In the discussion, emphasis is given to the influence of historical context on the ways in which dominant institutions in each country developed. This is important, given that business systems receive their distinctive character at a very early stage of the industrialisation process (Whitley et al., 1992). Therefore, reflection on history can



shed light on the existing socio-institutional setting of contemporary economies (e.g. Dore, 1990; Chandler, 1980, 1990; Guillen, 1994).

#### **5.2.1.1     *The state***

The existing pattern of market organisation and the manner in which market relationships are organised in the two countries have been significantly shaped by the industrialisation process.

##### ***The UK***

Britain's early start on the road to industrialisation, its relative political stability, and its experience of incremental social change since that time have made for an exceptional degree of continuity in deeply implanted social-institutional patterns (Dore, 1990; Lazonick et al., 1997). Furthermore, a striking observation from the way industrialisation proceeded in Britain is related to the role of the state: Britain is certainly a stand-alone case in this respect, given that the state did not play any significant role in the process. The nation's rise to industrial power depended on industry structures that were regionally concentrated, vertically specialised and horizontally fragmented into small-scale proprietary firms (Chandler, 1980; Elbaum and Lazonick, 1986; Lazonick, 1986). These enterprises relied on skilled workers rather than managerial personnel to plan and co-ordinate work on the shop floor. The lack of managerial organisation in turn reinforced the tendency for industrial structures to be fragmented and specialised. Specialised craft unions were built with the resultant fragmentation of employer-employee relations placing severe constraints on managerial co-ordination of the specialised division of labour within the plant (Lazonick, 1990). The implications of the way industrialisation proceeded in the UK are the development of a regulatory state, weak market regulation by the state and reliance on corporate markets, as well as the lack of well-developed collective intermediaries (Table 5.1).

In the UK, the structure of the state and the philosophy of state-industry relations have provided a distinctive institutional / ideological framework. The dominance of the Bank of England over financial policy, the absence of constitutionally regulated

representation of regional economic interests, legal systems based on custom and the notion of precedent rather than being based on a written constitution or legal code, all together have resulted in perpetually changing institutional structures and procedures, such as, for example, in the case of the training system (Hall, 1984; Storey, 1991; Lane, 1992; Stewart et al., 1994). Furthermore, as Whitley (1999) argues, the state in the UK has neither the wish to, nor the capability for, actively co-ordinating economic processes. A low degree of state involvement in risk-sharing and regulation in the area of industrial policy has resulted in ineffective industrial policy (Porter, 1990; Lane, 1992). Comprehensive regulatory frameworks on aspects of industrial organisation were never developed and the principle of voluntarism makes for considerable diversity and complexity in the institutional structures (Ebster-Grosz and Pugh, 1996).

The UK has traditionally accorded the market more emphasis in the co-ordination of economic activities. The collective organisation of firms on an industrial and geographical basis is common in Britain. However, chambers of industry and commerce do not have a statutory status and are thus marginal to industry. Also, the different trade associations are not subject to uniform regulation (Stewart et al., 1994; Lane, 1989). In addition, the traditional high autonomy of British firms has resulted in the peculiar quality of the British market organisation when their regulation through trade associations is fragmented and underdeveloped (Lane, 1989). The reliance on market co-ordination is further intensified by the way the financial system operates.

### *Russia*

Conversely, in the USSR the state always acted as a powerful regulator of socio-economic processes. The role of the state clearly distinguishes Russian industrialisation from what occurred in Britain. Historically, economic progress in the country was promoted by the state as part of the pursuit of its military interests and territorial expansion (Fuhrmann, 1972; Gershenkron, 1997). Furthermore, dispersion of the population throughout huge territories, poor roads, illiteracy, and an undeveloped political life provided the base for centralisation of power (Piskotin, 1988; Solovev 1988). This brought the role of the state to centre stage, and it became crucial during the process of industrialisation in Russia.



Industrialisation in Russia began in the middle of the 1880s, when railroad building by the state assumed unprecedented proportions and became the main lever of a rapid industrialisation policy (Kahan and Weiss, 1989). At the starting point of formal industrialisation the level of economic development in Russia was very low. The main reason for the economic backwardness of Russia was the preservation of serfdom until the emancipation of 1861, which inhibited the formation of an industrial labour force in Russia. Therefore, the state took a number of specific decisions with regard to the volume and character of capital investment in Russian factories. Due to difficulties in creating a reliable and steady labour force, modern machinery was introduced to some branches of industry which was simpler in operation, and for which the necessary learning time was shorter and therefore more reasonably related to the prospective duration of employment (Gerschenkron, 1997).

The role of the state was strengthened even more during the period of Soviet industrialisation. In the course of the revolution in 1917 a dictatorial government was created and centralised management of the economy established (Sutton, 1968). The state controlled all other institutions, thus creating a unique institutional environment. It introduced centralised command methods to regulate different aspects of work life: the tasks, resources for their fulfilment, and forms of remuneration for labour became the object of direct regulation (Lawrence and Vlachoutsicos, 1990). For example, regulations and procedures for hiring and firing and conflict resolution were written into labour legislation and in the extensive regulations of central state bodies, such as the state committee for labour and social affairs. There were standards for the number of employees and administrative personnel at an enterprise and for their salaries (*Russian classification of workers and employees occupations and wage grades*, 1995).

In contrast to the UK (Table 5.1), the state in the USSR controlled intermediary associations and government agencies, such as chambers of commerce and industrial associations, the legal system, and an extensive public education system. Formal market regulation involved allocation of production output quotas to every enterprise. The distribution of resources and output was done by central authorities. Prices were also centrally set. All import-export operations were co-ordinated and controlled by the state, as well as innovation and product development. The work of

scientific institutes and research centres was organised centrally, and they were totally dependent on government funding.

The state regulation of economic processes resulted in a particular productive structure of industries. There was a strong tendency towards a larger scale of plant and enterprise, which resulted in very large plants as well as the concentration of industrialisation processes on branches of industry which involved relatively high ratios of capital to output (Popov, 1985). This had a negative effect on light industry and agriculture, which were allocated no money to develop new products and therefore essentially subsidised heavy industry (Nelson, 1983; Popov, 1985). The uneven development of Russian industry between the various sectors resulted in differences in terms of the importance attached to MD in different industry sectors.

#### **5.2.1.2     *The financial system***

##### ***The UK***

The nature of the financial system in the UK was also determined by the process of industrialisation. The industrialisation of England had proceeded without any substantial utilisation of banking for long-term investment purposes (Gerschenkron, 1997). The more gradual character of the industrialisation process and the more considerable accumulation of capital, first from earnings in trade and modernised agriculture and later from industry itself, obviated the pressure for developing any special institutional devices for the provision of long-term capital to industry. This, in turn, had a negative impact on creating close industry-bank links.

The key characteristics of the British financial system (as summarised in Table 5.1) are a strong finance function and a preference for internalising risk in the absence of close bank-firm connections (Zysman; 1983; Whitley et al., 1992). The essence of the British relation between the financial and the industrial sector lies in a shortage of investment capital. The British banking system is highly centralised and bank lending tends to be short-term and has not entailed the establishment of close industry-bank relationships. Therefore, large British firms have traditionally raised their capital mainly by issuing shares on the stock market (Stewart et al., 1994).



Usually new investment come from internally generated funds, whereas among outside sources of finance, institutional investors predominate, and the banks are only one group of players among many (Edwards and Fischer, 1994). The impact of such a functioning of the financial system has been in the increased reliance on market mechanisms for the co-ordination of economic activities in the country. This has impacted the features of dominant firms in the UK, which in turn leads to “ideal-type” MD practices.

### *Russia*

In Russia it was difficult to attribute a critical role to any pre-industrial accumulations of capital. Banks in Russia were not involved in industrial development to the same degree as in Britain: the scarcity of capital in the country was such that no banking system could succeed in attracting sufficient funds to finance a large-scale industrialisation. Using different devices, such as preferential orders to domestic producers of railroad materials, high prices, subsidies, credits, and profit guaranties to new industrial enterprises, it the government succeeded in maintaining a high and increasing rate of growth during the industrialisation (Falkus, 1972). The Russian state was able to substitute public saving for private saving, and through its financial policies succeeded in directing incomes from consumption to investment (Sylla and Toniolo, 1991). This delayed development of the financial system in the country and weakened its influence over economic co-ordination.

Commercial banks were founded only during the first decade of the twentieth century. However, since it was the government that had fulfilled the function of industrial investment banks for a long time, the Russian banks were organised as “deposit banks” (Ashton, 1996). Banks that operated upon principles that were characteristic of investment banks appeared before the revolution in 1917 and were nationalised with the consequent establishment of a single state bank immediately after the revolution.

As highlighted in Table 5.1, the work of the financial and credit system, both outside and within enterprises, was controlled by the ministry of finance of the USSR and other agencies of the country’s banking system. Credits were allocated centrally, and there were centralised plans for capital investment and finances. An attempt to

establish new interrelations between enterprise and the financial and credit system was made in 1987, when a new law on the Soviet State enterprise was adopted which encouraged Soviet enterprises to introduce control of their capital, and allowed them to use bank credit. However, the introduction of this new regulation in 1987 was more concerned with wishful thinking than reality, since there was no financial system to carry it out. Only very recently have a number of commercial, investment, and savings banks appeared. Again the state regulation of the financial system in the USSR conditioned the industrial structure as it dictated that capital-goods industries rather than consumer-goods should develop most rapidly. Therefore, the importance attached to MD varied in different industries, with capital-goods industries enjoying more attention from the state in terms of the development of their managerial cadre.

### ***5.2.1.3 Skill development and control system***

Education and training have a major influence not only on the levels and nature of technical competence but also on managerial identity and value orientations (Whitley et al., 1992). The system of industrial relations influences business organisation both through its structural features and through the tenor of its underlying class relations (Lane, 1989; Ebster-Grosz and Pugh, 1996). It does not just influence what middle managers do; it also colours what they view as possible.

#### ***The UK***

During the industrialisation, as Lazonick (1997) argues, the aristocracy who controlled elite educational institutions at that time saw no need for an educational system that developed technologists, and this has resulted in an anti-industrial bias of these institutions. As a result, the most influential British industrialists put little pressure on the elite schools and universities to educate the future “captains of industry” in matters concerning business organisation and industrial technology (Lazonick, 1986). The wealth of the upper class was based on financial activities, for which social connections and acquired reputations were the key to success, rather than the application of science to industry with the resultant profits from technological innovation (Dore, 1990). This led to an almost complete neglect of



research and development (Lazonick et al., 1997). Even in the cases of trained scientists and engineers, leading British enterprises relied more on market co-ordination than management co-ordination in their employment of labour (Dore, 1990).

Furthermore, this situation has had a negative impact on the already weak organisational integration within the managerial hierarchies of British industrial enterprises. As described by Lazonick et al (1997), within the enterprise, top managers who were graduates of elite educational institutions set themselves apart as an elite social class, thus creating an organisational barrier between themselves as strategic decision makers and the technical specialists who were expected to implement enterprise strategies. Also, the social-class structure in combination with the educational system abetted the continued integration of ownership and control (Hannah, 1983; Elbaum and Lazonick, 1986; Dore, 1990).

The outcomes of industrialisation in terms of the development of the skill development and control system in the UK are summarised in Table 5.1. In Britain vocational training and education, as opposed to the academic route, has always been of secondary importance and has never attained considerable social prestige or wide social diffusion (Keep, 1989; Lane, 1989). Furthermore, apprenticeship has little bearing on the education and training of managers as it is associated rather with the preparation of skilled workers in engineering and other sectors of manufacturing (Lane, 1992). However, in the 1990s some increase in the amount of training has been demonstrated and programmes, such as “investors in people” and the national education and training targets, have been launched to encourage firms to invest in training and help them do so more effectively by developing training qualifications and workforce skills. Keep and Rainbird (1995) argue that the involvement of the state in training remained on a voluntarist basis and outside the remit of government funding and control.

Key characteristics of the British industrial relations system include the central role of the workplace, limited state intervention, decentralised enterprise bargaining between management and unions, and the voluntary regulation of employment (Brown, et al., 1995; Edwards, 1995). Until the 1980s unions were relatively strong, particularly in large firms, and thus resisted the introduction of parallel bodies of

representation. Widely adopted practices of job demarcation introduced a high level of rigidity into work organisation which was strongly supported by unions (Heijltjes et al., 1996). However, during the 1980s the Conservative government introduced a wide set of legal measures, with a view to eliminating burdens on business, removing the statutory support for collective bargaining, and limiting the activities of trade unions and restricting industrial action. This has resulted in a considerable decrease of union membership. Another outcome is that the influence of shop stewards on the workplace has been eroded. The influence of unions at a national level is now also weak (Edwards et al., 1996). British trade unions are also fragmented along trade and hierarchical lines. The fact that industrial democracy is not institutionalised in Britain has led to conflict becoming inherent in the British perception of management (Hyman, 1995). The implications of this for MD practices in the country will be discussed later in this chapter.

### *Russia*

High levels of illiteracy and the low standards of education in Russia at the time of the industrialisation resulted in a deficiency of skilled labour, especially engineers (Kahan and Weiss, 1989). The same was true for technical knowledge and techniques. The availability of modern techniques and advanced technical knowledge from abroad might explain the tendency to concentrate, at a relatively early point of the process of industrialisation in Russia, on the promotion of those branches of industrial activities in which recent technological progress had been particularly rapid (Falkus, 1972). It also promoted the development of technical skills. Furthermore, the relative scarcity of management skills encouraged large units of production where managerial talent could be used to maximum efficiency.

The role of the state in controlling the work of the skill development and control system in Russia (Table 5.1) was in extensive regulation of general education and training, regulation of the labour market, and in control over unions. The traditional model of university education in the USSR involved five or six years of study at a specialised educational institution. Key features of this type of education included early specialisation and continual further upgrading of acquired knowledge and skills through training at the workplace (*Expert*, 03.02.97).



Vocational training and management education in the USSR was organised centrally under the auspices of the sectoral ministries. Every enterprise had manuals and instructions where detailed information about training programmes, their content, audience, and so forth, was presented. Technical degrees and training were overwhelmingly the preserve of sectoral institutes, which were attached to specific industrial ministries, or sector-based training centres based on the premises of specific large state enterprises. They were also responsible for cross-fertilisation of best practices in management among enterprises within sectors. Unions in the USSR were weak and state-controlled. The functioning of this system, with its focus on the development of technical skills and centralised co-ordination of labour markets, had implications on MD practices which will be discussed later in this chapter.

#### *5.2.1.4 Trust and authority relations*

##### *The UK*

As highlighted in Table 5.1, key features of the system governing trust and authority relations in the UK include high reliance on formal procedures, and authorities being predominantly procedural. British managers derive power from their place in the capitalist industrial structure. This means that all managers, whatever their actual job specification, are involved in running the business on behalf of the owners of capital for the profits of the latter. Managers are defined as agents of the shareholders (Dore, 1997). This view of management portrays managers as those with power and authority over others (Storey, 1980, 1985; Scarbrough, 1998). Furthermore, as Hannah (1983) argues, a pattern of market organisation in the UK encourages contractual and restricted in scope inter-firm relations.

##### *Russia*

Key features of the system governing trust and authority relations in Russia (Table 5.1), that is, low trust in formal institutions governing relationships, and the paternalist nature of authority, also have historical roots. Trust and authority relations in Russia have been conditioned primarily by the traditions of the peasantry and by the autocracy of the state government. The traditions of the peasantry are reflected in

the inclination to work together in groups (Sutton, 1968). However, these cohesive groups have always been very hard to integrate horizontally in a traditionally hierarchical company (Klyuchevsky, 1987; Engelgardt, 1987; Puffer, 1994).

The dual nature of Russian state government was, to some degree, predetermined by history (Crisp, 1976; Kahan and Weiss, 1989; Sylla and Toniolo, 1991). The state government bonded Asian “relational bureaucracy”, which was brought into the Russian feudal aristocracy by the Mongol-Tatars, with a western “functional bureaucracy”, which was Peter the Great’s contribution to state management (Lawrence and Vlachoutsicos, 1990). Centuries of Mongol-Tatar rule had brought a belief in the power of the top authorities and their fairness in making independent decisions. The results were passive obedience, and an abdication of responsibility for their actions, especially if these actions lead to a negative result (Crankshow, 1976; Blackwell, 1968). In such a model, employees were formally accountable for only his or her own work, and each job was accomplished separately without the realisation that there was a process which connects each task to the other. Given that state management had many internal hierarchical levels, this created high levels of bureaucracy.

In the USSR managers were running businesses on behalf of the state. Formally, this gave them power to execute control and give orders. However, their power was limited by their actual role in management processes. Therefore, in informal relationships greater importance was attributed to technical competence, rather than to status or a position in a hierarchy.

Another outcome of the autocratic system is that the legacy of the dictatorship of the state has resulted in the development of two sets of ethical standards: one for impersonal or official relationships, and one for personal relationships (Crankshow, 1976). Therefore, though Russian culture places great importance on the status and position of the individual, the organisational culture of Russian companies is very much built on personal relationships and contacts (Schreiner, 1997). This has also resulted in low trust in formal institutions governing relationships. Gershenkron (1997) argues that the low standards of commercial honesty are due in part to the absence of any tradition of craft guilds and badly delayed emancipation of the Russian peasantry, reinforced by legal uncertainty with regard to property rights.



This section, where the distinctive features of key institutions in the two countries are compared, provides the context for the understanding of production systems and social structures in the two countries, which are discussed in the following section. This is an important step in the analysis of the influence of the institutional context on MD practices and in generating hypotheses. The analysis is based on the logic described in Chapter 3 (Figure 3.2).

### **5.3 Features of business systems and dominant firms in the UK and Russia**

This section aims to discuss possible relations between institutional features presented above and features of business systems and dominant firms in the two countries under study. This is another important step in the analysis, given that it highlights the link between business system features and features of the work systems and governance characteristics in dominant firms in a given society. Table 5.2 on the following page summarises key features of compartmentalised business systems and dominant firms in such a system. The following features of business systems are discussed, including the type of owner control and ownership integration, employer-employee relations and work management. Furthermore, it summarises governance characteristics and features of work organisation in dominant firms in such a business system. This business system is argued as representative of the British business system (Whitley, 1999).

#### ***5.3.1.1 The UK: compartmentalised business system***

The business system in the UK develops in the arm's length institutional context where there are few institutions at either the national or the local level for encouraging co-operation between firms. Large and highly liquid markets in financial assets and labour power encourage considerable mobility with little regulation of market entry and exit. Widely relied upon formal procedures and authority relations enable transactions to be carried out at arm's length and

impersonally. The role of the state is regulatory rather than developmental. Similarly, capital is allocated by price and at arm's length from its users through impersonal market competition (Lane, 1992; 1994). This business system is also associated with weakly developed skill training and control systems. Practical manual worker skills are not highly valued and training in them is governed by ad hoc arrangements with little or no central co-ordination (Stewart et al., 1994).

Table 5.2 Key features of the business system and dominant firms in the UK

Business System Features	Dominant Firms Features
<p><b><i>Type of owner control and ownership integration</i></b> Market-based forms of owner control and low involvement in management; Some concentration of control over shares by portfolio managers; Low owner's knowledge of business and low owner's interest in particular firm; Horizontal diversification within ownership</p> <p><b><i>Employer-employee relations and work management</i></b> Low employer-employee interdependence; reliance on external labour markets in managing the labour force; Strong skill-based groupings and high levels of skills development in some areas; Reliance on procedural and formal authority</p>	<p><b><i>Governance characteristics</i></b> Risk is internalised by firms; large-scale investments with long-term returns are unlikely Limited managerial authority; Holding type of companies;</p> <p><b><i>Work systems</i></b> Firms are not focused on development long-term organisational competencies as contribution of most staff is seen restricted; Higher levels of managerial integration as compared with organisational one; Short-term performance measures; strong financial performance criteria; Limited employee commitment and involvement in organisations; Strong skill-based groupings are horizontal rather than vertical and often conflict with each other; Focus on formally specified jobs and subordinate relations</p>

Sources: Whitley, 1999

This institutional infrastructure restricts organisational integration between ownership units and leads to a strong reliance on ownership-based authority relations for co-ordinating economic activities (Hollingsworth, 1997). This system is characterised by low employer-employee interdependence given its approach to labour and employee's skills as short-term resources, to be acquired or removed in flexible external labour markets. Also, "the organisational hierarchy is perceived more as a hierarchy of ability / licence to command obedience and co-operation than as a hierarchy of technical competence" (Dore, 1997: 37).



### **5.3.1.2     *The UK: dominant firms' characteristics***

The structure of firms in the UK reflects its key proximate institutions. State reluctance to intervene has resulted in a particular pattern of growth being adopted by industrial companies that is primarily through mergers or take-overs, rather than through expanding activities by direct investment in capital equipment (Chandler, 1990; Lane, 1994). This pattern of development has resulted in a particular organisation structure of the British firm. The current organisational pattern preserves some distinctively British features: vertical integration, internal rationalisation and centralisation are still less pronounced, and diversification is more often of the conglomerate type (Storey et al., 1997). In many cases British companies are organised by holding structure with a small headquarters staff delegating most decisions to management at division or unit level. These are treated as separate profit centres and this produces the situation where employee management becomes mainly a matter for the operating units (Lane, 1989; Whitley et al., 1992; Storey and Sisson, 1993). This is particularly important in relation to management within MNCs. Thus, according to Edwards et al. (1996), British MNCs manage their overseas subsidiaries through financially output-based control systems more than by personal control.

British production units tend to be highly compartmentalised both vertically and horizontally. Thus, differentiation is strong between production and maintenance workers, and between management and technical staff (Lane, 1994). This tends to create operational rigidity and higher levels of managerial integration as compared with organisational rigidity. Due to the lower level of technical expertise at all levels, roles are defined in a more rigid manner, which leads to low task integration and a low degree of flexibility (Lane, 1992). Also, as noted above, the British preoccupation with financial matters gives much greater emphasis to relevant managerial positions as opposed to production and associated functions.

The constraints imposed by the financial system on industrial management together with the ease of take-over have emphasised the achievement of short-term returns on capital and high dividend pay-outs (Hutton, 1996). In addition, the British financial system has encouraged the search for economic gain from purely financial transactions to the detriment of manufacturing concerns. Therefore, the vulnerability

to hostile take-over forces British managers to concentrate on profit now rather than investment for the future (Porter, 1990).

Market or arm's length portfolio control also determines the balance of power between shareholders and salaried managers. Though delegation of decision-making powers by owners to the managers of individual firms is high, the system as a whole imposes strong financial performance criteria on firms where control over share use becomes concentrated. This limits managerial autonomy as manager's control is constrained by strong capital markets. The system of corporate governance, described as an "outsider" model (Marginson and Sisson, 1994) due, among other things, to its dispersed networks of shareholders, the importance of institutional share ownership, and the emphasis on short-term financial returns, also has consequences for work organisation and labour relations. It encourages firms to regard employees as disposable liabilities, producing a cost minimisation approach to labour management. Furthermore, these features have not traditionally supported the implementation of an employee development type of labour management (Bartlett and Ghoshal, 1989). Combined with the presumed short-term orientation in British business this results in an emphasis by companies on control (over costs) rather than development (Crouch, 1993).

The discussion in this section is important for the analysis of the influence of institutional context on MD practices. It has summarised the key features of the British national business system and dominant firms which operate in this system. Later in this chapter the analysis will be extended to link these features (summarised in Table 5.2) to "ideal-type" MD practices in the UK.

#### **5.3.1.3     *Russia: state-regulated business system***

Table 5.3 summarises key features of the state-regulated business system and dominant firms operating in such a system.

This was the system developed in the USSR where the state dominated economic decision-making and tightly controlled intermediary associations. Given that coordination of economic processes was centralised by the state, firms were highly



dependent on state agencies and officials (Blasi et al., 1997). As a result, they delegated little to employees and found it difficult to develop long-term commitments with business partners or competitors. Labour markets were strongly regulated and this tended to limit managers' and skilled workers' mobility.

Table 5.3 Key features of business system and dominant firms in Russia

Business System Features	Dominant Firms Features
<p><b>Type of owner control and ownership integration</b> Direct state control and high level of involvement in management; Centralisation of ownership; Ownership integration of sectors and production chains; no diversification into technologically and market-unrelated fields;</p> <p><b>Employer-employee relations and work management</b> Generally low delegation to and trust of employees; Considerable employer-employee interdependence based on high levels of skills development in some sectors; Reliance on short-term informal and personal reciprocity</p>	<p><b>Governance characteristics</b> Large firms with integrated production chains and activities through a unified administrative apparatus; centralised functioning organisations; Limited horizontal linkages; strong vertical dependence; production output goals dominate; Limited managerial autonomy;</p> <p><b>Work systems</b> Generally limited influence of employee interests on major decisions; Low supervisor discretion and control; High levels of skill development and considerable delegation of tasks performance to workers in some sectors; Strong skill-based groupings, loyalties and identities where existing are vertical than horizontal;</p>

Sources: Whitley, 1999; Warner et al., 1993; Lawrence and Vlachoutsicos, 1990

The high degree of state involvement in the country's societal and economic life gave pre-eminence to management by directive and to the use of administrative command methods. Centralised leadership implied managing from one centre, subordination of minority to majority, and tough discipline. The achievement of goals depended on the power of formal authority. Managers in Soviet enterprises were responsible for overall organisational activity and the results of their enterprises: within the enterprise, the authority was held by the manager; above that, it was held by the government and the party. This situation required every manager to pay more attention to the broader political aspects of management rather than the narrower economic ones. It also limited managerial autonomy and resulted in low delegation to and trust of employees.

#### **5.3.1.4     *Russia: dominant firms' characteristics***

The centralised organisation of production and the absence of market relationships had a major impact on the structure of Soviet enterprises. The major economic actors in the Soviet economy were large enterprises. Even now, small business (companies with fewer than 200 employees) account for just over a tenth of Russia's total production (KPMG, 1994). There were some different types of enterprises: some like the scientific production organisation LOMO located in St Petersburg had their own research facilities to develop new products, others were just production sites.

These huge enterprises (e.g. LOMO previously employed 23,000 staff, and had several production sites) were vertically integrated "total institutions", in many cases creating what were essentially "company towns" (Standing, 1996). In those "total institutions" employees carried out functions that in other economies would have been conducted by other sectors. Industrial enterprises in the Soviet system were far more than just industrial. They played an important role in Soviet society and had many social obligations, including sponsoring different educational institutions, kindergartens and company health care facilities, and building apartment houses for employees (Ostrovsky, 1998). For some enterprises the list could include the enterprise's own hospitals, clinics and supermarkets. Moreover, managers of large enterprises were likely to have high profiles in local government activities e.g. to be a member of a city council. Equally, many companies were located in small towns, where they were not only the single place to work, but also they supported and financed the social infrastructure (housing, road maintenance, central heating, etc.) (Lipsitz, 1995).

Within the guidelines established by higher authorities, the structure and process of management for each enterprise were determined by its production system. The core of the traditional managerial structure of Soviet enterprise was task units: a group charged with performing a specified task in the enterprise. There were production units as well as administrative units. However, production was the major function. Production units in the Soviet enterprise had relative independence, and were granted wide latitude in the area of incentives for workers.



A very high degree of vertical integration, limited horizontal linkages and dominance of production output goals coupled with insecurity of supply and the legacy of control by diverse ministries under the Soviet system have bequeathed giant firms which make their own equipment and many of the goods required by their staff as well as producing their core-product range. Also, the lack of market forms of trade, combined with the inflexibility of credit mechanisms and chronic shortages, spurred enterprises to hoard resources for “a rainy day”. This accumulation of surplus supplies permitted the enterprises to avert a break in the rhythm of production for want of raw materials and supplies (Harding, 1998). These features have further increased vertical loyalties and identities in organisations.

Similarly to the previous section, which focused on the UK, this section discussed the key features of the Russian national business system and dominant firms which operate in this system. Table 5.3 summarises these features as shaped by dominant institutions in Russia and which will be used to explain “ideal-type” MD practices in the country. Structuring MD practices by institutional and cultural context is the topic of the following section.

#### **5.4 Structuring MD practices by institutional and cultural context**

This section aims to identify “ideal-type” MD practices adopted in the two countries under study and compare these in order to generate hypotheses in the research. As highlighted in Chapter 2, four MD practices are the focus of this research, namely recruitment, training and development, career management and the rewards and appraisal system. This section, therefore, identifies “ideal-type” recruitment in the UK and “ideal-type” recruitment in Russia, and so on. Later in this chapter these identified practices will be compared in order to generate hypotheses.

#### **5.4.1 “Ideal-type” MD practices in the UK**

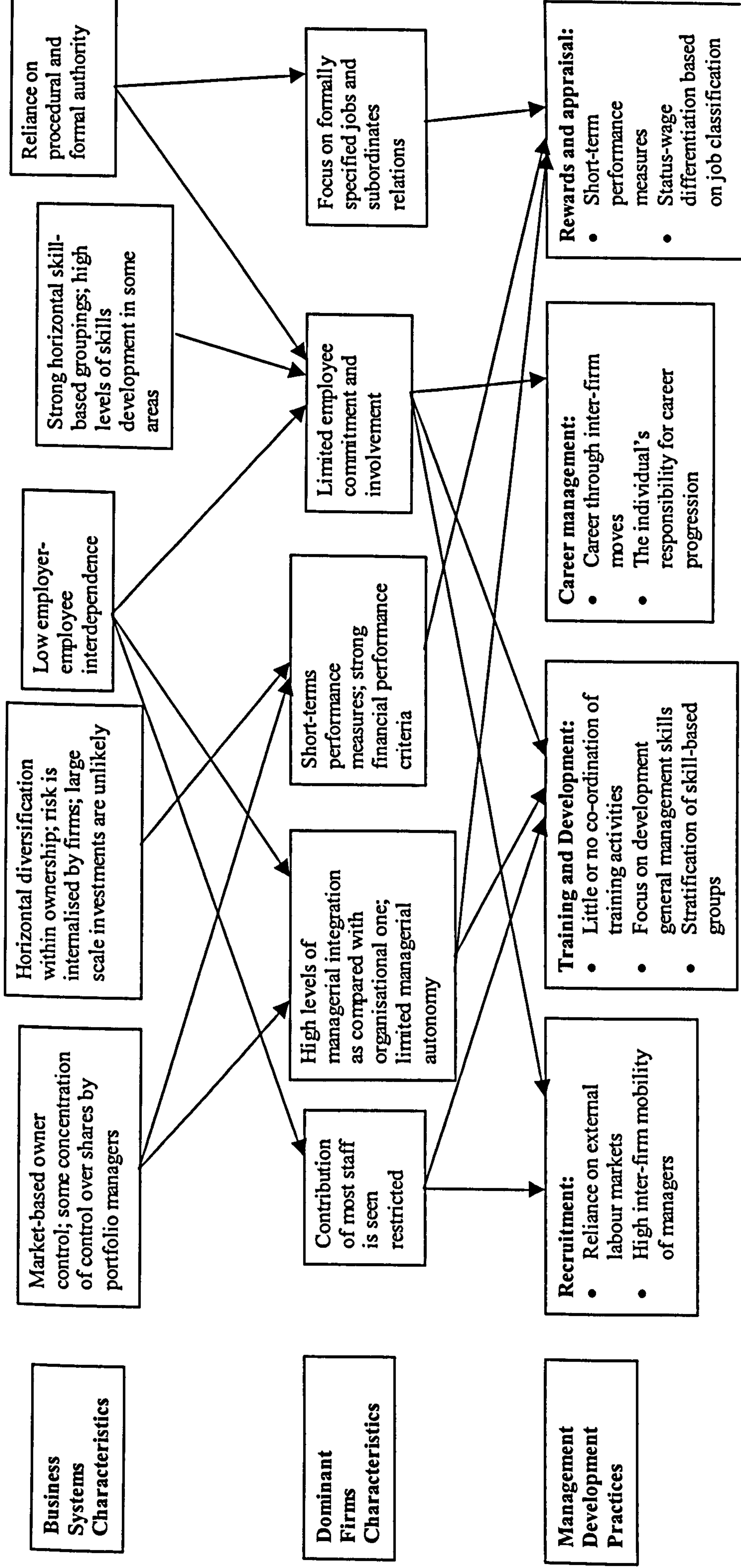
Diagram 1 on the following page shows the interdependence of business system features, features of dominant firms, and MD practices in the UK. This analysis draws on the literature (e.g. Whitley, 1999), and it highlights that the distinctive features of British management practices mirror the institutional and societal complexities of British society. Equally, MD practices in the country tend to educate and develop managers able to run their organisations in this environment.

The lack of integration and systematic co-ordination of activities both within and across institutional arenas is a general feature of the society. According to Whitley (1999: 61) “it is quite pluralistic in the sense that each sphere of society operates as a largely separate social space with its own norms and routines, processes of elite recruitment and selection, and standards for evaluating performance”. Furthermore, market co-ordination of labour has resulted in the development of the internal labour market in Britain being combined with the use of many different employment and personnel practices, with a clear market orientation (Lane, 1992). Although the question of whom should be developed and by what method are left to the discretion of the individual firm, it is still possible to hypothesise about “ideal-type” MD practices in the UK.

The autonomy that British companies possess and the emphasis on independence are associated with distinctive management practices: superiors are not expected to supervise their employees closely, but should instead present the employee with an enabling work environment within which they can perform their tasks (Evans, 1990). Due to the lack of functional integration in the organisational structure of British companies, managers rely first of all on persuasion and networking (Laurent, 1989). Tayeb (1993) argues that in Britain managers and workers have traditionally had an impersonal and task-orientation relationship with one another.



Diagram 1 Interdependence of management development practices and business systems / dominant firms' characteristics in the UK



Low employer-employee interdependence results in limited employee involvement and commitment to the firm; the contribution of most staff to the development and enhancement of capabilities of the firm is restricted. This may result in little or no co-ordination of training and development activities and focus on development of more general (transferable across sectors and organisations) skills rather than sector specific (technical / functional) skills (Whitley, 1999). Career management is more the responsibility of the individual and one can make career progression by inter-firm moves. Furthermore, firms will rely more on external labour markets for recruitment, rather than internal ones (Stewart et al., 1994).

The tradition of the manager as a “gifted amateur”, the influence of class differences in the firm, and internal negotiation are all features of British management. Work organisation has never been a priority for the British firm, being developed through custom and practice at workplace level, due to the focus on strategy and finance issues rather than on operations (Dore, 1990; Calori, 1996). The reduced emphasis on production tasks and the disassociation of technical and supervisory authority in British manufacturing firms result in a particular managerial identity and authority, shaped by both social origin and education. Fitting the class-consciousness of British society, managers mainly attribute their authority to position rather than expert knowledge (Lawrence, 1980). Therefore, British managers are much more likely to see themselves as generalists than as technical specialists.

The provision of management education in Britain is rather diffuse, and its chief feature is its heterogeneity. The British system of education and training offers a wide number of routes into management posts, while having no dominant philosophy of how management can best be learnt, taught or developed (Warner, 1990). It is possible to study business at college or university, and there are a wide variety of certificates and degrees ranging from the Higher National Diploma through to one- and two-year postgraduate MBAs (Handy et al., 1988; Evans, 1990). However, the cultural heterogeneity and class-consciousness of British society might be the reason why polytechnics and technological universities, the major providers of vocational education, have not attained the same status as their more traditional counterparts.

Weak integration of training and development with manpower planning and deployment systems has been pointed out as a common drawback (Keep, 1989).



Storey (1991) argues that training is more often seen in British companies as a free-floating activity only loosely related to human resource planning. The pay system, the promotion system and the dynamic, action-oriented culture are not particularly conducive to or supportive of the developmental ethos. In Britain the development of subordinates is rarely seen as a priority when compared with other measures (Lane, 1994). On-the-job training and development is not securely rooted, and in general training and development is routinely regarded as something done by, or at least organised by, a specialist department. Hence management training and development in Britain is often about sending people on courses, and this activity is directed in the main at newly appointed managers or management trainees (Storey, 1991).

Nonetheless the professional approach in Britain is highly regarded. It mixes tutored work-experience with formal study. Although the chambers of industry and commerce play little role in providing formal training and development programmes, there is a significant number of professional bodies which offer a graded series of qualifications. These may be attached to a particular sector or management function, such as, for example, the Institute of Marketing and the Institute of Personnel Development. Due to their high job mobility, managers prefer formal external qualifications (Stewart, et al., 1994; Whitley et al., 1992)

British managers see the core of their job as managerial rather than to do with functional or professional expertise (Evans et al., 1989). The basic assumption behind the generalist model is that managerial leadership is developed through the experience of getting results through people who have more expertise than oneself. It holds that general management skills can best be learnt by experience and by mentoring or coaching. Therefore, British managers give preference to management programmes aimed at improving their managerial competence as distinct from their technical competence. Equally, as Storey (1991) argues, British companies consider exposure to responsibility at an early age as a critical explanatory factor in success. Development of high-potential managers who are well-equipped with general management skills through early exposure to a variety of functions is particularly favoured (Evans, 1990). Also, promotion has more to do with demonstrating one's managerial potential in terms of handling people and getting the best out of them (Stewart et al., 1994).

Given the limited attention of companies concerned with the development of an internal labour market, it is very common that management promotion is gained through movement between firms. The generalist education and/or predominantly financial orientation among top managers and the more diversified nature of British firms make movement between firms and even industries relatively easy. This generates low commitment to firms, as career progression is more likely through a change of employer (Ebster-Grosz and Pugh, 1996). A career plan for each level of employees is also widely applied in Britain (Tayeb, 1993).

Due to relatively high mobility, recruitment is likely to take place at all levels. This has resulted in an MD system oriented towards sophisticated recruiting at all levels (Keep, 1989; Heijltjes et al., 1996). Assessment centres which involve two- to three-day simulations of managerial situations where the performance and qualities of aspirants can be observed and evaluated by psychologists and trained managers have developed widely in Britain (Hunt, 1984).

Market or arm's length portfolio control imposes the need to meet the targets and expectations of the capital market. This makes dividend pay-out and growth in share prices significant measures of corporate performance, and influences the system of evaluating managers. Compensation is based on performance, and managers are evaluated in terms of short-term performance measures. Furthermore, the prevalence of contractarian authority relations inhibits the development of common identities and loyalties within firms and promotes the adoption of formally specified jobs and subordinates relations, and links rewards to job category.

Strong, often conflicting, horizontal skill-based groupings and high levels of skill development in particular areas imply considerable delegation to staff, and at the same time inhibit the development of employer-employee interdependencies, because occupational expertise and identities dominate organisational loyalties. This influences the organisation of training and development activities (formal/informal; ad hoc activities), and influences work organisation, particularly its specialisation, and favours some areas of expertise (e.g. accounting) at the expense of others (Whitley, 1999).



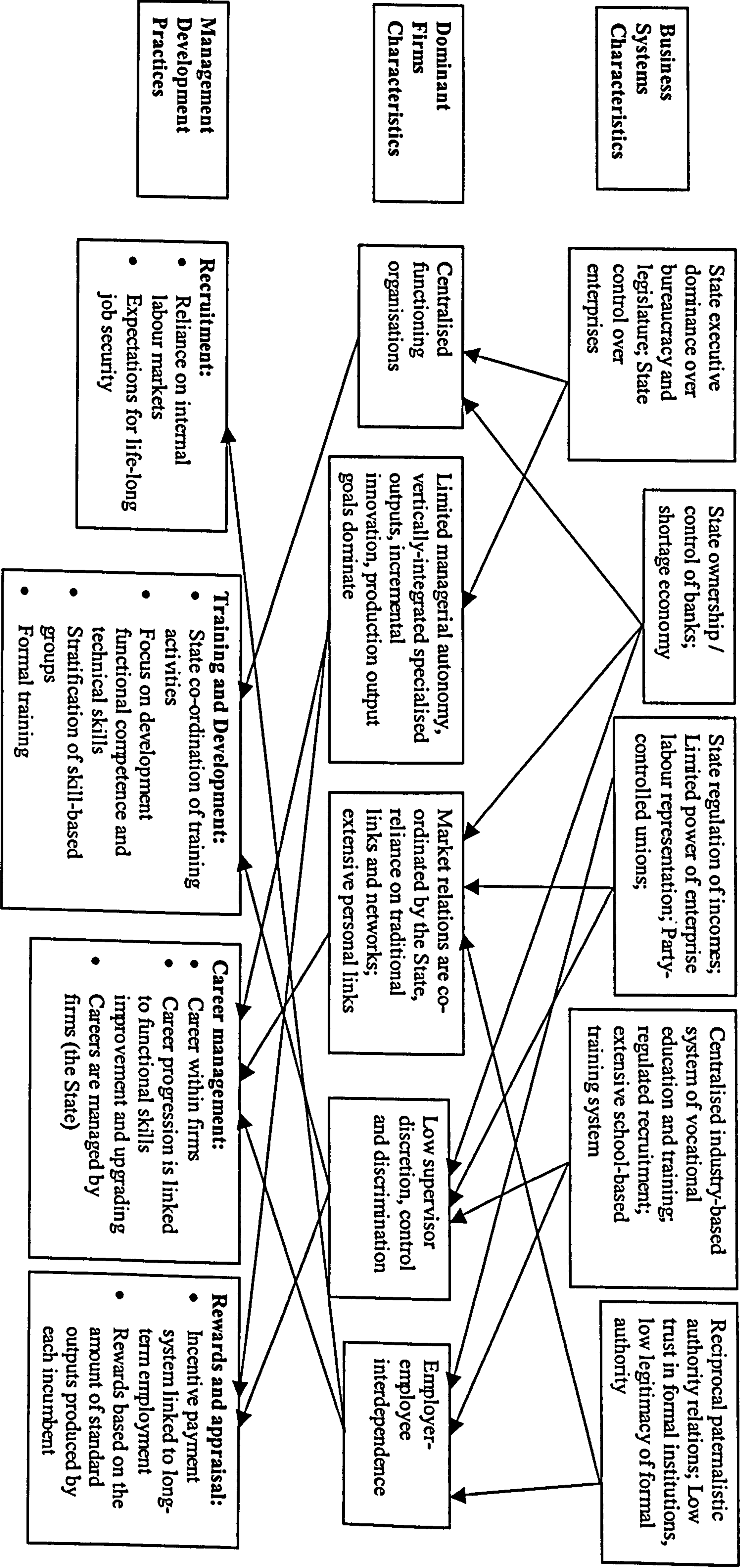
Key features of “ideal-type” MD practices in the UK have been presented in this section. These include (Diagram 1) reliance on the external labour market and high inter-firm mobility of managers in the area of recruitment; little co-ordination of training activities, focus on development of general management skills, and stratification of skill-based groups are the features of training and development in the UK; career progression through inter-firm mobility and the individual’s responsibility for career progression are typical for career management systems, and, finally, short-term performance measures and status-wage differentiation based on job classification define “ideal-type” rewards and appraisal systems in the UK. These features will be used in this thesis to compare and contrast with the features of “ideal-type” MD practices in Russia in order to generate hypotheses, as well as throughout the case study chapters to compare with those employed in the two MNCs so that the influence of organisational context becomes clear.

#### **5.4.2 “Ideal-type” MD practices in Russia**

This section highlights the process of the structuring of “ideal-type” MD practices applied in the USSR by their business systems environment (Diagram 2 on the following page). It is based on the literature plus the interviews with 28 managers in local companies (three companies were from the former military complex and two were from the FMCG sector). These interviews were part of the pilot study.

The administrative methods applied in the USSR were intended to regulate all aspects of work life: the tasks, resources for their fulfilment, and forms of remuneration for labour became the object of direct centralised regulations. These key features of management have been reflected in the approach to MD applied in the USSR.

Diagram 2 Interdependence of management development practices and business systems / dominant firms' characteristics in Russia





As a rule, the rights of management were delegated to lower levels when things were going smoothly. However, if something went wrong, everyone was held strictly accountable for his/her actions. In this system heads of enterprises bore all the responsibility, and were more likely to be involved in day-to-day detail. No one took action without authorisation from their superior as a way of avoiding blame if something went wrong (Puffer, 1992). At the same time, strict accountability was often neutralised by diffusion of individual responsibility in collective decisions and in documents required to be signed by many people. Collective responsibility created some ambiguity, as it was difficult to reveal who actually made a decision. Also, according to Welsh and colleagues (1993), the need to be personally involved in operations required managers to pay more attention to specialist knowledge. In such a system the role of employee participation was weak (Puffer, 1994; Tung and Havlovic, 1996), and management practice was paternalistic and directive, demanding the punctual execution of each directive.

An informal, implicit deal was made between subordinates and managers: members had to obey the manager's instructions, and the manager had to protect them and stand up for them in every way to everyone outside the unit (Kossov and Gurkov, 1996). Consequently, this also influenced inter-group work and horizontal integration. Given that essentially only the manager made decisions, other members of groups tended to be reluctant to commit themselves by volunteering opinions unless they had previously consulted with their manager (Welsh et al., 1993). On the other hand, subordinates from all levels had the right of direct access to their managers. According to Lawrence et al. (1990: 79), "direct contact between all echelons of the enterprise hierarchy was one of the most fundamental and distinct characteristics of the Soviet management system that helped to enhance considerably the vertical integration of the enterprise."

The power of managers was diluted by a number of external interventions and controls. Standing (1996) argues that management and union leaders within enterprises were little more than state functionaries acting as "transmission belts" for communist party commands that typically emanated through industrial ministries based in Moscow. In the enterprise, the labour union and party organisations served as monitors of the manager's exercise of power (Tappan, 1995). The party and union

representatives were key figures in the selection and evaluation of executive personnel, their training, and the administration of their work incentives.

The evaluation system was based on an assessment of the performance of every line manager against specific requirements and covered several criteria, such as, for example, planning, giving technical instructions, and operational control of subordinates. Upper management was also the subject of such evaluation, but its assessments were based on economic indicators of the enterprise's operations as well as on executive discipline and personal initiative (Shekshnia, 1998). Competition based on creating and reviewing personal improvement plans was a special way to evaluate and stimulate the creative activity of managers and specialists in many enterprises. The results of these personal plans were assessed every quarter and also on the basis of the whole year's results (interview data). However, given that success was measured almost exclusively by the fulfilment of physical output quotas, the evaluation was tied to output. Though rates of pay were centrally regulated, management was offered bonus incentives for fulfilling or exceeding quotas (Longenecker and Popovski, 1994).

The highly regulated production environment in the USSR has resulted in the purpose of management being primarily to execute orders received through the central plan. Managers had to be experts in technical issues, and particularly in production in order to provide the information needed for a decision to be made at the ministry level. Therefore, the importance of functional or technical knowledge was traditionally emphasised at the expense of so called "softer" skills development such as communication and interpersonal skills (Holden and Cooper, 1994; Halborg and Adcock, 1993). The psychological and sociological aspects of management development were generally under-developed as these encroached on Party-related subjects (Warner et al., 1993).

Education for managers was primarily technical with administrative qualifications being attained at a later stage by a minority of technically trained managers (Holden 1992). The USSR also had its own Grandes Ecoles, e.g. the Academy of National Economy in Moscow, which were established and expanded from the 1970s onwards, reflecting the increased concern with management education (Warner et al., 1993). Under the system outlined above, the growing expertise in management did



not reach further than senior managers, elite specialists and industrial economists. The training of middle managers was carried on at the shop floor level and in the plant as a whole, and their training was overwhelmingly technical (Halborg and Adcock, 1993, Holden 1992). Top-level managers personally trained people for the jobs of shop steward and section manager. Shop stewards in turn trained personnel as foremen and shift heads. Most supervisors and foremen were also trained by the enterprise in special programmes. In big enterprises there were programmes for middle managers who could also take courses at sectoral and regional training centres.

Nevertheless, despite its overall focus on technical education, the management development system in Soviet times was ultimately contingent on the sector of the economy as well as the status and position of managers in enterprise. According to Tappan (1995), the Soviet Union possessed, to some degree, well-educated managers, particularly among sections of the military and in high-technology enterprises. Russia is certainly the only emerging market with a major space launch capacity and a 99 per cent adult literacy rate (Thornhill, 1996).

Most enterprises promoted from within. The average time between promotions was five to seven years, but for young people with a higher education, it could be two to three years (Welsh et al., 1993). People tended to stay a long time in one enterprise. Until about 20 years ago legislation granted people regular pay increases if they stayed in the same firm. In addition, people could be promoted faster if they stayed in the same enterprise, but middle- and top-management jobs required a higher education. Leading enterprises had training centres and institutes to provide education for those who aspired to management positions, and this training was compulsory (interview data).

The importance of functional knowledge has been emphasised by regular certifications (assessment of the functional knowledge and skills) of executive personnel. In accordance with directives from the Council of Ministers of the USSR, all engineering and technical workers had to undergo certification every three to five years. Likewise, foremen and heads of shops and enterprises had certification not less than once every two years. A special committee in close co-operation with the plant's social organisation in each enterprise did the certification and made

recommendations not only concerning the candidate's certification, but also on raising or lowering their salary. However, the most important process, according to the managers interviewed in former military enterprises, was that of career management or, as it was called, creating a "reserve". An example of a career management system which was focused on development potential and was implemented in "LOMO" is given in Appendix B.

MD in the USSR varied according to the sector of industry. In military and high-tech sectors much attention was paid, while in light industries and, particularly, in agriculture it was almost ignored. Also, there are significant differences in the knowledge and skills among managers from different industrial sectors and levels of management (Warner et al., 1993).

Key features of "ideal-type" MD practices in Russia have been presented in this section. These include (Diagram 2) reliance on internal labour markets and expectations of life-long job security as characteristics of the recruitment process; state co-ordination of training activities, focus on development of functional competence and technical skills, stratification of skill-based groups, and formal training are distinctive features of training and development practice in Russia; career progression was within firms and linked to functional skills; and, finally, the rewards and appraisal system was based on the amount of standard outputs and was linked to long-term employment. The following section compares these features with those identified as the features of "ideal-type" MD practices in the UK.

## **5.5 Contextual influences in MD: tension in the transfer process**

This section draws attention to areas of possible tension which could accompany the transfer of MD practices from the UK to Russia, and presents hypotheses in the study. It is argued that tension might be due to differences in MD practices. Furthermore, the influence of national culture values and undergoing changes in Russia present additional challenges to transfers.



5.5.1 Differences in the preferred MD practices

Table 5.4 Differences in “ideal-type” MD practices in the UK and Russia

UK	Russia
<b>Recruitment</b> Reliance on external labour markets High inter-firm mobility of managers	<b>Recruitment</b> Reliance on internal labour markets Expectations of life-long job security
<b>Training and Development</b> Little or no central co-ordination of training activities Focus on development general management skills Stratification of skill-based groups	<b>Training and Development</b> Strong state co-ordination of training activities Focus on development specialists (functional) skills Stratification of skill-based groups Formal training
<b>Career management</b> Career progression is mostly via inter-organisational / inter-sector moves The individual’s responsibility for career progression	<b>Career management</b> Sector-based career progression; careers within firms Career progression is linked to functional skills improvement and upgrading Careers are managed by firms (the State)
<b>Rewards and appraisal</b> Rewards are tied to short-term performance (predominantly financial) measures Status-wage differentiation based on job classification	<b>Rewards and appraisal</b> Incentive payment system lined to long-term employment Rewards are based on the amount of standard outputs produced by each incumbents as distinct from their specific skills or personal capacities

Sources: Whitley, 1999; Warner et al., 1993; Lawrence and Vlachoutsicos, 1990

Table 5.4 compares the “ideal-type” MD practices of Russia and the UK. The table highlights significant differences in practices in each of the four MD areas of recruitment, training and development, career management, and rewards and appraisal. Table 5.4 suggests that variation in practices is due to a number of factors. These are the degree of central co-ordination of MD activities, the focus of activities, as well as the emphasis on long-term internal labour market development in Russia versus a short-term orientation on the purchase of available skills externally in the UK.

As described in the chapter, the Anglo-Saxon model of management assumes purely contractual employment relations (Dore, 1997). In such a system, qualifications are no guarantee of career success (Ebster-Grosz and Pugh, 1996), and career progress is more likely through change of employer, rather than continuity of employment.

In contrast, in the USSR there was a lifetime employment system in which not only was employment guaranteed, but workers who retired could even expect to be replaced by their own children. Furthermore, the peculiarity of development of enterprises in the USSR resulted in the dominance of internal labour markets as the alternative to external markets. This has resulted in the inter-firm mobility of managers and engineers being low. The other factors supporting this were the education system, with its talent-sorting function of the entrance examination system for higher education and specialised institutions, as well as the sector-based organisation of MD. Given that managers were specifically trained to work in a particular sector, it was quite difficult to move across sectors. This has implications for the present in that the managerial labour market in contemporary Russia is not only limited but also is characterised by the low mobility of the management cadre. Whether this might be an issue for a British-based MNC in terms of organising its recruitment and career management system is open to investigation.

If in the UK preference is given to the development of generalist skills, in Russia the tendency is to favour technical expertise; the way MD was organised in the USSR made Russian managers specialists. As shown in Table 5.4, the importance of functional competence and technical skills improvement was particularly stressed by the fact that it was linked to career progression in Russia. Furthermore, Russian managers, who are used to being appraised and rewarded on the basis of the amount of standard outputs and have their incentive payment systems linked to long-term employment, might find it difficult to use a system which implies short-term performance measurement and assessment of their managerial potential – something different from the familiar practices of certification described earlier in this chapter.

Given that every aspect of MD in the USSR was co-ordinated by the state and therefore represented a structured way to development, Russian managers might also find it difficult to take responsibility for their own development. Finally, as shown in Table 5.4, training in the USSR was predominantly formal. Therefore, it is interesting to investigate whether change in the form of training and the introduction of on-the-job training and particularly coaching and mentoring will be resisted by local managers in the subsidiaries of the MNCs in this study.



The following section discusses the influence of the value system and national culture on the behaviour of Russian managers – another factor which might influence the implementation of the practices transferred.

### **5.5.2 The influence of the value system and national culture on the behaviour of Russian managers**

A wide range of variables related to institutional and social contexts influence management practices. It is value systems that may actually determine these other factors and govern their impact on management practices (Domsch and Lichtenberger, 1990). Management practices are meaning and value based, as well as knowledge based. Therefore, Botti (1995: 78) suggests that the transfer of management practices to different cultural contexts can result in “asymmetrical expectations” or misunderstandings which shape the ways in which they are adopted.

A direct comparison between management tasks as well as managerial roles performed by Soviet managers and their western counterparts proves to be very difficult. Soviet managers' responsibilities were in some respects wider, in other respects narrower, than those of an equivalent western manager. In some cases they expanded to cover not only the working life but also the health, housing and recreation of a one-company town (Standing, 1996). At the same time, many of the decisions that would rest with the chief executive and his or her board in a western company were evidently being taken not in the enterprise but in the relevant ministry. Again, decisions that in the West would be left to middle managers tended to be referred up to the general director (Ostrovsky, 1998).

The nature of the relationships typical in Russian national and business culture crucially affects behaviour, the attitudes to work and the interpersonal relationships associated with work activities in Russia. Similarly, the social environment of Britain with its greater individualism and contractual nature of relationships strongly affects managerial behaviour in the UK.

The ability to exercise control and build good personal relationships with co-workers became prime factors in determining managerial success and, thus, influenced the

behaviour of Russian managers. Power-based and personal relationships between employees are the most important peculiarities of local business culture. Furthermore, Russian managers see and accept the truly political nature of decision-making processes more easily than western managers. Whereas westerners relate much more easily to “rational” analysis (Cool and Lengnick-Hall, 1985: 10), the Russians describe decision-making as open ended and political in nature, and use a political language in their daily interactions in organisations.

In addition, the Russians usually strongly mix their personal and professional lives. For Russian people it is common to share their personal problems with their superiors or peers, asking for help or advice, thus imposing a paternal role on their bosses. Seeking and giving help is culturally acceptable in Russia. Given that people in the country historically had little autonomy and control over their lives, they expected to be taken care of by the people in power (Crankshaw, 1976; Schreiner, 1997). Workplace relationships between Russian managers tend to be more overtly dependent on a strong positive emotional bond. Thus, there is much more information exchange and co-operation between friends than with other people in the organisation. Though formal power in organisations has tended to be based upon hierarchical structures and lines of command, by contrast, informal power and influence, which is often more important, tends to rest on mutual respect and liking within the workgroup (Lawrence and Vlachoutsicos, 1990).

As the degree of power inequality within Russian organisations has traditionally been very high, subordinates are used to being strictly controlled. It is hardly possible that they would provide any feedback to their bosses. At the same time, people expect their bosses to know all the answers and hold them responsible for everything that happens. This behaviour is supported by a lack of conviction about one’s own rights: managers tend to ask permission instead of informing their bosses and taking the initiative (Kimpelainen and Tolstaya, 1999: 4). Using the terms of Trompenaars and Woolliams (1999), Russian managers display “status ascribed” behaviours when actions are determined by a position.

Finally, whereas in western culture having open, direct discussion and creating institutionalised channels for the expression and resolution of conflict are considered to be useful for maintaining social stability (Botti, 1995), for Russian managers it is



difficult to acknowledge their mistakes because this would lead to losing face. Such problems as a reluctance to participate in open discussions during meetings, the tendency to avoid disagreement with bosses, and a lack of initiative tend to be more acute in Russia (Kimpelainen and Tolstaya, 1999: 9). Russian managers would withhold information because it is used as a means of control and power accumulation in their working groups, and also to protect themselves in situations when delivering the information might lead to negative consequences for the individual.

This section highlighted the influence of value systems and national culture on the behaviour of Russian managers and offered hypotheses as to where there might be areas of potential tension and misunderstanding when another type of behaviour is required. It will be interesting to examine in the case study chapters whether the transfer of MD practices is resisted because they are based on different assumptions and, therefore, require different behaviour. The penultimate section of the chapter argues that the transfer of management and MD practices might be accompanied by tension due to a changing institutional environment and the profound reorganisation of the economic actors in Russia.

### **5.5.3 Macroeconomic changes and changes in management practices**

#### **5.5.3.1 *Restructuring of the economy***

As discussed in Chapter 3, MD practices have often been seen in the literature as being brought by MNCs to their subsidiaries to stimulate the required behaviour and support the introduction of management practices (e.g. Prahalad and Doz, 1987; Ghoshal and Bartlett, 1990; Bartlett and Ghoshal, 1991). However, there are a number of factors related to the broader economic environment which affect the introduction of practices in Russia, and which condition what it is possible to do in Russia in terms of management practices. These factors include the lack of experience of and skills for working in free market environments; infrastructure-related difficulties (distribution and supply chains; difficulties related to the availability of particular services and skills in the market, etc.); and characteristics of

the specific institutional environment such as underdeveloped legal and financial systems and a high degree of bureaucracy.

The wider pattern of shifting managerial roles, identities and status has important implications for the processes of management and MD in Russia. Consequent profound changes in the macro-management environment have had a tremendous impact on management (Shama, 1993; Halborg and Adcock, 1993). Managers in Russia are now coping with uncertainties for which there is no close equivalent in the West. These include uncertainties over the legal status of contractual rights and obligations, supplies, the taxation regime, payment arrears and law enforcement (Harding, 1998). It is a time of major transformation within the production system (Standing, 1996). This involves such processes as converting enterprises from military to civilian production, the restructuring of large organisations and the setting up of totally new businesses. It is also reflected in growth in the most underdeveloped sectors, such as the SME sector, agriculture and the service sector (Gurkov and Kuz'minov, 1995). The break-up of the Soviet Union has left scientific institutes and research centres without government funding, and enterprises with fractured supply chains and product lines, producing outdated and unwanted products. Enterprises are operating in the information vacuum left by the demise of central planning, and have to deal with a service sector which was notoriously underdeveloped in the Soviet Union.

In short, operating in Russia means facing the realities of ineffective systems and procedures, and struggling with contradictory legislation and underdeveloped or non-existent business infrastructure. Therefore, problems might arise when practices transferred fail to match the job descriptions of managers. Furthermore, some western management practices require particular institutional and cultural prerequisites to operate effectively, which are missing in Russia.

Russian industry is experiencing far-reaching effects of changes in the domestic economy. The exposure of Russian companies to market regulations, fragmentation of the national economy, and privatisation have all had important effects on the internal structuring of Russian companies as well as making them subject to tremendous competitive pressures. The resulting shift in industrial organisation embodied a move away from vertical integration and centralised bureaucratic control



toward disaggregation of parts of large corporations into smaller companies. Another aspect of change was the out-sourcing of “non-core” activities which was also introduced in parts of some companies. The net effect of these technological and organisational changes, which have accompanied the process of the fragmentation of large organisations, is to create new skill requirements for managers. However, as Ostrovsky (1998) points out, local enterprises have been constrained by the lack of managerial capabilities, e.g. in marketing, and by weak financial markets that could not provide enough capital for investment.

In the course of the reforms, which started in 1991, different forms of companies came into existence. Nonetheless, the joint stock company (AO) became the most commonly used Russian legal entity for business (KPMG, 1994). Irrespective of whether it is formed jointly or whether it has 100 per cent foreign ownership, a joint stock company is a Russian legal entity and is subject to Russian civil law and all the other legislation generally applicable to Russian entities. A joint stock company may be either “open”, meaning publicly held, (leading to the Russian abbreviation OAO) or “closed”, meaning privately held (ZAO).

In the course of privatisation work systems changed dramatically. In essence, the political and economic changes since the outset of the perestroika campaign had made the managers of significant enterprises into owners (Thornhill, 1996). The workers took the passive role of shareholders with little understanding of their theoretical rights and almost no representation on company boards. Real corporate power had passed into the hands of industrial managers placing enormous demand on their managerial skills (Ostrovsky, 1998). The process of privatisation accounts for the fact that for the first time managers became responsible for strategic activities of their enterprises.

The important issue highlighted in this section is that profound changes in the work organisation and governance structures of dominant firms - brought about by the changes in economic context in the country - might in fact be facilitative to the introduction of new management practices, given that these changes place new requirements on management and management skills. On the other hand, the applicability of these practices to the current Russian context is a question that is open for empirical studies.

### **5.5.3.2      *Changes in the institutional framework***

Recent changes in the macro-management environment were reflected institutionally. The requirement to develop the system of commercial and investment banks was due to the ever-increasing need of the country's industries and infrastructure for investment capital. It should be noted that foreign investors have brought only about four billion dollars into Russia since 1991 compared to substantially larger amounts for the much smaller countries of Eastern Europe (Blasi et al., 1997). However, the way the financial system operates in present-day Russia is very different to what was expected by industrial management. According to Chambers (1996), most banks have not yet developed the trust in Russian managers to loan large sums of money to enterprises instead of taking them over, and there is a long way to go before a secondary market for company shares is developed. The country's financial crisis in August 1998 has demonstrated the lack of suitable financial instruments in Russia (*Financial Times*, 26.08.1998).

Furthermore, the changes in the country were reflected in the response of higher education via the spread of business management programmes and the establishment of business schools. The 1990s saw a major upsurge in business education in Russia (Kozlova and Puffer, 1994; Puffer, 1992). Currently a wide range of programmes are offered, such as full-time, part-time and executive MBA, and programmes for undergraduates. The number of these programmes has increased dramatically in the space of a decade (*Expert*, 03.02.97). Many new business schools were established while the existing educational institutions found themselves introducing new or changing old curricula. A broad sector of commercial organisations has emerged providing short-courses on a temporary basis.

The underlying system of general university education is also changing. The traditional model of university education described earlier is still predominant, however the alternative model of higher education has recently been introduced. Thus, new to Russia, a two-level model of education leading to two certificates correspondingly – bachelor and master - has been accepted by a number of universities (*Expert*, 03.02.97). The logic behind this model is to allow a student to acquire fundamental knowledge at the first level, with narrower specialisation at the second.



However, the simultaneous existence of different models has created problems with standardisation. This, in turn, has had a negative impact on the credibility of certificates and diplomas (Puffer, 1992). This is an important consideration in a country where uniform standards and structures were much favoured, given that they provided necessary information about what one could expect to get by buying a certain product. The existing turmoil with standardisation of educational programmes and courses makes many Russian employers suspicious about new developments in the education system and uncertain of their value. In a situation where there is no system of official rating of educational institutions, work experience and institutional reputation is the only test for the quality of education (data from interviews in local companies).

Given the diversity of companies currently operating in Russia, the status and ownership of enterprises remains a major source of legal and practical confusion. Immaturity of Russian business and legal institutions, lack of an established framework of commercial law, such as reliable legal protection of property rights, create a “volatile investment climate” and makes investors cautious (Chambers, 1996). Business ethical values are emerging. Corporate governance charters are recent imports, and not many Russian companies abide by them (*Financial Times*, 26.08.1998). In addition, the protection of shareholder rights is moving slowly.

Another major problem is the role of corruption in the Russian economy. The new Russia’s powerful banking and corporate elite, who are known as “oligarchs” have appeared. The new financial-industrial groups manage diverse businesses and the new investment banks have acquired controlling interests in newly privatised companies (Harding, 1998; Ostrovsky, 1998). In the politicised business environment of Russia the most powerful, and thus considered the most stable, are the politically well-connected banks. This makes Russia’s problems centre primarily on the power of interest groups. Insecurity of ownership in Russia makes many managers very cautious. In the situation characterised by continuous changes in the institutional context, and especially the instability of legislation concerning ownership rights, managers / owners are simply afraid of losing their control and privileged hierarchical status.

The ongoing change in the institutional environment in Russia might represent an additional challenge to the introduction of new management practices and systems and, therefore, MD practices. Given the alien nature of western management practices to Russian management, it is important to support the transfer by providing interpretation so that Russian managers can make sense of the transferred practices in order to start using them.

## **5.6 Conclusions**

This chapter highlights the relationship between the societal-institutional context and MD practices in the two countries involved in this study – the UK and Russia. The influence of each institutional factor on MD practices is examined, and the impact of the national culture and the process of industrialisation is analysed. Overall summaries concerning business system features and features of dominant firms in the UK and in Russia are provided. This analysis is particularly helpful in order to outline key features of “ideal-type” MD practices in each of the countries.

The specificity of “ideal-type” MD practices in the UK, such as the sophistication of recruitment systems, the considerable mobility of employment, the market-driven compensation systems, greater professional consciousness, and the emphasis on development of general management skills are clearly reflections of the institutional and cultural characteristics analysed in this chapter. Also, the focus on development specialists, favouring formal training, reliance on internal labour markets, and expectations for life-long job security are all features of “ideal-type” MD practices in Russia as structured by the institutional environment of the country. Given profound differences between “ideal-type” MD practices in the UK and those in Russia, this might affect the transfer of MD practices developed in the UK to Russia, and therefore, the process might be accompanied by tension. This is because the introduction of new practices will challenge the views concerning MD practices that Russian managers hold dear.

Furthermore, the transfer might be problematic due to differences in value systems and national cultures and their influence on the behaviour of managers. Tension in



the process might occur when traditional ways of working and relating in Russia are challenged by the new requirements to behaviour brought by the introduction of new MD practices.

Finally, the ongoing technological and organisational change in Russia places new requirements on management and management skills in the country. Therefore, it might be supportive to new initiatives and practices brought by MNCs. However, the transformation of institutions and underdeveloped economic infrastructure might represent additional challenges to the transfers, and therefore question the applicability of the practices transferred to the current Russian context.

This chapter suggests that there might be tension in the process of transfer of management and MD practices from the UK to Russia and underlines the reasons for this. The empirical chapters (6 and 7) present the process of transfer of MD practices within Cadbury Schweppes PLC and Unilever PLC, and highlight the fact that tension indeed accompanied this process.

---

---

# *CHAPTER 6: Transfer of MD*

## *practices within MNCs: Cadbury*

### *Schweppes PLC*

---

---

#### **6.1 Introduction**

This chapter, which is a case study of the British-based multinational company Cadbury Schweppes PLC, presents and analyses the transfer of management and MD practices to the company subsidiary in Russia.

The chapter is organised as follows. First, it focuses on the pattern of development of Cadbury Schweppes in the UK with the aim of highlighting the influence of the key factors that shape the company MD model. It goes on to discuss the influences of the industrial sector, internationalisation and key trends in the development of the business, and the accepted management style related to the philosophy of the founders of the company. It is argued that the pattern of development of the company within a particular business environment and the influence of the British national business system have resulted in distinctive organisational structures, systems and management philosophy. Furthermore, this has been specifically conditioned by the internal organisation. The outcome is a distinctive approach to MD.

The MD model in use by Cadbury Schweppes is then presented. The analysis focuses on approaches to development and the distribution of responsibility; co-ordination mechanisms and the role of the head office as well as activities undertaken at business unit level, and on formal MD structures and processes. It is argued that business units have considerable freedom in terms of running their own MD systems within a decentralised structure. The model adopted by Cadbury Ltd, a British subsidiary of Cadbury Schweppes – is presented in order to stress similarities and differences between practices adopted in the subsidiary, and the “ideal-type” British



MD practices developed in Chapter 5. It is argued that the influence of the national economic environment is mediated by the organisational context.

The final part of the chapter describes the process of transfer of the model to Cadbury Confectionery ZAO – a Russian subsidiary of Cadbury Schweppes PLC. The focus and priorities in MD activities in Russia as they are defined by the parent company are discussed. Mechanisms of transfer, and the practices to which they apply, are highlighted. Finally, general comments about the acceptance of the model by local management and its applicability to local circumstances are made. It is argued that the process of transfer is accompanied by tension and misunderstanding. Analysis of factors both contributing to and reducing this tension is provided in the final part of the chapter.

The first sections of this chapter are written on the basis of secondary data plus interviews with two managers at the company headquarters, namely the MD manager and the resourcing and development manager. Details concerning the managers interviewed in the subsidiaries are presented in the relevant sections.

## **6.2 Cadbury Schweppes PLC**

Cadbury Schweppes PLC is a British-based multinational company operating in the food market. It comprises an international group of companies that manufactures, markets and distributes branded beverages and confectionery products in over 190 countries. The company holds third position in the world market for soft drinks and is the fourth largest world manufacturer of confectionery. Cadbury Schweppes PLC is a large employer: it employs over 40 thousand people world-wide, with subsidiary companies operating in virtually every country in the world (*Cadbury Schweppes PLC*, 1997). Turnover in 1997 exceeded £4.2 billion.

Cadbury Schweppes was created through the merger in 1969 of two British-based companies: Cadbury, which was primarily a chocolate and confectionery manufacturer, and Schweppes, which by that time had developed into the largest soft drinks producer in the UK.

The history of Cadbury dates back to 1824, when John Cadbury opened his grocery business in the centre of Birmingham. His business was taken over by his sons Richard and George who expanded it from the tea and coffee trade into cocoa and chocolate production in the 1860s (Williams, 1931). Until the merger with Schweppes, the company had been largely owned and continuously managed by members of the Cadbury family.

Schweppes bears the name of Jacob Schweppe, a German-born jeweller and amateur chemist who together with three other people formed a company devoted to producing artificial mineral water in 1790. In 1792 Schweppe moved to London to establish the company's English operations, and when the partnership dissolved the next year, he retained the business for himself. In 1834 Schweppes was bought by William Evil and John Kemp-Welch, whose descendants would remain associated with the company until 1950.

### **6.3 Cadbury Schweppes within the British national business context**

This section places Cadbury Schweppes within its national business context in order to highlight the importance of the business environment to its development. In turn, the pattern of development is argued to have a tremendous impact on company management. Thus, according to Smith et al. (1990), management practices in the company are based on principles which are the outcomes of strategic development undergone by the company. These principles reflect major innovations in work organisation and changes in company policy as outcomes of economic developments in the country. These factors have been moderated by cultural and social factors peculiar to the history and life of Cadbury Schweppes.

Table 6.1 on the following page shows the implications, for management practices and the MD model adopted, of the development of Cadbury Schweppes its national business environment. It presents an analysis of secondary data (from the academic literature and company secondary data), plus interviews conducted at the company headquarters. This analysis is done by using the framework developed in Chapter 3



(Figure 3.1 and Figure 3.2). The following sections analyse the influence of each factor on the company MD model and describe the model itself.

Table 6.1 Development of Cadbury Schweppes PLC within British national business context and the implications of this process to the company MD model

Factors determining organisational context	Management practices as defined by the features of organisational context	MD model
<i>Administrative heritage</i> Early internationalisation; Development by mergers and acquisitions; Quaker origin of founders; Strong traditions of family business  <i>Business environment</i> Concentrated mass producer of branded goods; International rather than local producer; Influence of American production and management practices; Tough domestic and international competition; Core competence products	<i>Organisational culture</i> Life-long learning approach to development; Team-working philosophy; Managerial autonomy of independent business units  <i>Management systems</i> Local recruitment; Use of expatriate managers to transfer knowledge and skills to overseas locations; Emphasis on coaching and fast localisation of businesses; Adaptation of formal tools and their use in new locations  <i>Technology</i> Innovation-driven technology necessitates advanced management practices, e.g. total productive maintenance	<i>Focus on development of organisational capabilities</i> Employee development approach; Focus on potential  <i>Bases of responsibility</i> Development should be driven by the individual; company helps to guide development by providing tools  <i>Co-ordination mechanisms and degree of centralised co-ordination</i> Business units run their own systems of MD that might vary considerably; The role of the head office is to provide support to and disseminate best practices among business units; Focused and fast transfer of management practices and systems to new businesses  <i>Formal structures and informal processes</i> Emphasis on on-the-job training; Competency-based approach to recruitment, training and development; Availability of different developmental tools

6.3.1 The business environment and the influence of the industrial sector

Two key factors that have shaped practices include the influence of the business environment, and the development of the industrial sector in which the company operates.

Cadbury Schweppes has developed and matured within its industrial sector. Child et al. (1987) note that it has followed the same pattern of strategic development as all large producers who occupy leading positions in the British food industry.

The early industrialisation, the growth of mass markets, nationally branded products, and the rapid concentration and structuring of manufacturers into giant firms are all important features of the history of the UK chocolate industry. The British chocolate sector is capital-intensive, concentrated, and international rather than local. There is strong product loyalty to a small group of best-selling products, and branding is of key importance. The products are well established, allowing little room for other companies to establish a presence in the marketplace. These features of the sector have determined the pattern of development of British chocolate confectionery producers, and thus their management practices.

A model of mass production, in which luxury products became cheaper and were produced for mass markets in concentrated, integrated factories using dedicated equipment and de-skilled labour, was developed in the second half of the nineteenth century. Mass markets developed in Britain from the 1880s onwards. Smith et al (1990) argue that producers of cigarettes, flour, sugar, cocoa and alcoholic beverages were the first industries able to move from luxury to mass production, and thus benefited from being able to fashion national tastes via branding.

The early creation of national mass markets attracted international competition. In chocolate confectionery this stimulated product innovation and manufacturing rationalisation, and the adoption of advanced technological and organisation innovations (Smith et al., 1990). Child and Smith (1987) argue that Cadbury's work practices were influenced by developments in American corporations. American firms, which mostly entered Britain in the inter-war period, brought with them distinctive manufacturing-marketing practices, connected with the mass production of a few standardised products. American firms operated out of single factories, forging tighter integration between manufacture and marketing. These models of organisation, marketing and technology were not directly imitated by large British chocolate companies, who continued to use their own, proven production and organisational structures. However, after World War I, innovations in industrial technology made the manufacture of chocolate cheap, and Cadbury had to retool its factory for mass production in the late 1920s.

Early industrialisation also created the conditions in which British confectionery manufacturers could expand their market and quickly create international mass



markets for their branded products. Large manufacturers were in a more favourable position to pursue this expansion. This is due to other distinctive features of chocolate confectionery as a whole, and British chocolate confectionery in particular. The sector became more capital-intensive, and therefore faster and more concentrated than other food industries (Chandler, 1980b). Other reasons for the concentrated nature of the British chocolate industry include access to cheap raw material imports, the presence of a largely urban population, and good communications and distribution. Finally, when compared to other manufacturing sectors, in terms of employment firm size has always remained high in the food industry (Smith et al., 1990).

In 1995 the UK chocolate confectionery industry was dominated by three producers, two foreign-based and one British-based, with well-established brands: Cadbury Schweppes, Swiss-owned Nestlé Holdings (UK) PLC and US-owned Mars GB. These companies accounted for 75 per cent of the entire market for chocolate confectionery (*Nestlé Rowntree Sweet Facts*, 1995).

Large British chocolate manufacturers early on became international producers. The British state's soft line on monopolies and mergers has made development by acquisitions and mergers a common pattern by which companies have become international players, assisted by the presence of first the Imperial, and later the Commonwealth markets. Both Cadbury and Schweppes swiftly became international by expanding their businesses into the Commonwealth markets. Thus, for example, the first overseas factory opened by Cadbury was in Australia in 1922. According to the international directory of company histories, though Cadbury was active in a number of overseas territories, most of its foreign manufacturing at the beginning of the twentieth century was located in countries of the British Empire.

The 1960s and 1970s witnessed waves of mergers which lead many British firms to expand by acquisition and diversification. New businesses were acquired both in the UK and overseas. Thus, the 1960s were for Cadbury marked by a diversification into the general convenience food sector, including sugar confectionery and meat-processing. As for Schweppes, its foreign operations accounted for one-fifth of the company's net sales in 1962. The company was also actively diversifying its business by acquiring jam and jelly makers and a tea producer. The merger of the

two companies Cadbury and Schweppes in 1969 strengthened their position, and allowed them to compete against multinationals which had larger-scale operations. It also allowed them to spread their innovation costs across a wider product and geographical base.

Growth by further diversification and expansion into overseas markets continued after the merger. However, after the mid-1970s Cadbury Schweppes announced that it would restore the focus to its core businesses. This meant that all important actions undertaken by the company in the 1980s related to confectionery and soft drinks. There were two main driving forces that caused the changes in company strategy in the middle of the 1970s: the growth of international competition and the fundamental change in the pattern of physical distribution in the UK market (Smith et al., 1990).

This period in the development of the confectionery industry was marked by increased competition associated with market saturation and growing discrimination in consumer tastes. Confectionery manufacturers had to face vertical competition with retailers, cross-specialism competition, e.g. between snack foods and confectionery, and intra-specialism competition with other chocolate producers. Concentration among multiple retailers, who with more buying power and sophisticated product management were eliminating slow-selling lines, led to a reduction in product ranges in the 1970s. Furthermore, consumers became more concerned with health issues and their tastes began to change accordingly. Moreover, the increasing harmonisation of the internal European market had a direct impact on confectionery, raising concerns over issues such as food labelling, health claims and mutual product recognition. The result was the increased dependence of chocolate manufacturers on long-established core brands. Cadbury Schweppes was forced to revise brand recipes constantly, in order to update existing brands and concentrate attention on improving productivity through an advanced level of engineering (Oram, 1996a).

The development of the company within its industrial sector has had an important impact on its management practices. Tyson and Witcher (1994) argue that British food multinationals have embraced the distinctive attributes of the British food-manufacturing environment. A typical British chocolate confectionery manufacturer tends to operate from several sites, with a mixture of mass market and luxury



products that reflect the more differentiated British market. The management structure and organisation of these companies, though it employs complex industrial engineering systems and makes widespread use of assembly lines, is also characterised by a general absence of integrated production systems, favouring a variety of systems (especially long batch work) and larger work-forces (Smith et al., 1990). Another characteristic has been the widespread use of female workers. That this has encouraged some enlightened employment practices is consistent with the hypothesis that these are most often found in large firms employing female workers (Smith et al., 1990).

Furthermore, acquisition and diversification have produced a distinctive multidivisional structure within the company (Rowlinson, 1995). The structure of Cadbury Schweppes PLC at the time of the fieldwork was as follows. It was a British-owned MNC with its headquarters in the UK. It was comprised of two divisions, confectionery and beverages. The head office was based in London, and provided support across the divisions, including finance, treasury, public relations and human resources. Within each division there were operational units. Each of these was run as a separate business with its own board of directors and profit targets, and each reported through the division structure to the company as the whole. Within this system, the company took a distinctive approach to managing its operations, giving as much independence as possible to the local level.

### **6.3.2 Administrative heritage**

As shown in Table 6.1, practices were also influenced by the administrative heritage of the company. A typical characteristic of British food producers has been family ownership. Thus, as highlighted above, Cadbury has remained a family business. At the time of the merger with Schweppes, its chairman had always been a direct descendent of John Cadbury and the vast majority of its stock belonged to family members or trusts. Cadbury Schweppes is still run by members of the Cadbury family.

Finally, as Child (1969) argues, paternalism, personal control, consultation and co-operative arrangements have often been associated with process industries, especially large food, drink and tobacco companies. According to the author of this study, the

paternalistic impulse has become increasingly significant with greater industrialisation. The paternalism of early capitalists, a core philosophy of some companies, had its roots in religion. Thus, the Cadbury family were Quakers who held that religion flourished best among self-respecting, working men and women. Smith et al. (1990) argue that while the Cadbury family was initially identified with a particular field of production, they became associated over time with the fulfilment of wider social objectives, particularly housing and other community projects. The origins of the company as a firm founded and run by Quakers, and the influence of Quaker values, explain much of the company philosophy. Quaker views concerning individual worth and the ability of everyone to contribute to decisions is still a major characteristic of the company's philosophy and organisation.

The principle conclusion in this section is that the approach to MD adopted by the company has been shaped by many factors related both to the company's pattern of development and its internal organisation. The structure of the company, its philosophy and management organisation have had an enormous influence on how the company's views on the role of managers has developed. The following section describes the model of MD in Cadbury Schweppes. The model is described using features of MD models identified in Chapter 3 (Figure 3.2), and the main features of the Cadbury Schweppes MD model are summarised in Table 6.1.

## **6.4 MD in Cadbury Schweppes PLC**

This section is a description of the MD organisation, policies and practices adopted by the company. The emphasis is given to the organisation of MD in Cadbury Schweppes, MD activities at the corporate level, and at the level of the business unit. It also explores structures and processes that support MD activities in the company.

### **6.4.1 Focus of the development of organisational capabilities and bases of responsibility**

The company stresses the importance of the ability to pursue an international strategy across all countries, the importance of people for the business, and of a team



approach. The HR director for the group as a whole is one of the principle board directors, which indicates the importance the company attaches to the HR function.

Many documents highlight the fundamental importance of people for the company. The booklet “*Who We Are, What We Do, Where We Are Going*”, written by the chairman and the chief executive, outlines the company’s mission and values. It highlights the critical role people and their development play in the organisation. In the company annual report (1997) there is a statement concerning the company’s dedication to the continuous development of its employees and lifelong learning. How this development is encouraged is also specified. Thus, the company provides an environment which values continuous learning and provides learning and development opportunities both within the local business and across the company. Employees are for their part required to show drive and initiative and take advantage of the opportunities available. Each business unit in turn is required to provide systems and programmes to meet the learning and development needs of its employees and of the business, given that these needs may vary significantly from unit to unit.

As shown in Table 6.1, the development of potential has a high priority. The whole process of potential identification is co-ordinated at head office, at two levels. The first level includes identification of top senior positions in the world-wide company, and of the people who currently hold them. The second level identifies people who have the potential to replace those currently working the top jobs. Such evaluations are made by business units in consultation with the centre. The role of head office is described in the following section.

#### **6.4.2 Co-ordination mechanisms and the degree of centralised co-ordination**

Given the highly decentralised structure of the company, MD is considered to be mainly a responsibility of each business unit, and different business units use their own MD systems. Within the company, each operating unit has its own HR department, and there is an HR department at head office to support them. The HR department at head office is responsible for remuneration and benefits for senior

personnel across the company, and for defining company policy on overseas and share option programmes. The overseas operation is also co-ordinated centrally.

Business units run their own HR systems. The HR relationship between head office and the business units is usually limited to areas described below, although head office reserves the right to instruct business units to carry out particular HR activities.

In 1996, the year the bulk of the fieldwork was being undertaken, in the confectionery stream there was also a two-man resourcing and development team. The team reported to the confectionery stream HR director, and was responsible for providing HR support to the whole of the division. This included three main areas. The first area was the provision of central support and help to new businesses or businesses that had been recently acquired or merged with. The team would be involved in every HR activity of such businesses until they were brought in line with company policies, when local people would take over. The second area the provision of help to any businesses across the company where there was not felt to be enough HR experience. This included a broad range of services from designing a particular training programme to recruitment. Finally, the third area was the co-ordination of HR initiatives across the streams, such as some of the MD programmes, sharing best practice and implementing particular HR policies. The team provided support for businesses to make sure that those policies were implemented equally. It was also responsible for co-ordination of centrally-run MD activities.

#### **6.4.3 Formal structures and informal processes**

The emphasis of MD at head office was on-the-job development rather than formal training, which was left to individual business units. The focus of MD efforts at the corporate level was on some 120 high-potential managers across the whole company. These people were managed and coached from head office. A succession of planning exercises was run for them centrally, together with a number of MD programmes.

There were three different programmes. The first was the so-called Accelerated Development Programme (ADP). It was introduced in 1991, with the aim of developing management talent by moving people across functional, business and



country boundaries. This programme was run across both streams, and was targeted towards developing young managers with an average age between 26 and 30. The key requirement for candidates was managerial potential. The programme operated annually and sought to provide some 16 opportunities throughout the company each year, and was targeted towards individual development needs. The programme provided a secondment in another part of the company. The assignment was usually for 12 months. On completion of the assignment ADP members returned to their home business. Once they were back their further development was monitored.

The second programme was called the International MD programme (IMD), and started in 1994. In terms of structure and organisation IMD was very similar to APD, the only difference being that it was targeted at the next level of management, more senior than those in the ADP. The programme was also used as a vehicle for encouraging businesses to move more people in and out. People on this programme took up an existing vacancy, usually for three years.

The third programme, was the only formal programme which was run centrally. It was targeted the top 120 people. The programme was called the Executive Development Programme (EDP), and was a week-long management course at INSEAD. This company-specific programme was designed to instil best practice throughout the group and allow managers to network. The programme had a follow-up called EVIA, which focused specifically on leadership and change issues. It was based on case studies, with the idea of giving participants the opportunity to try to relate the issues discussed in EDP back to their home businesses.

International experience in the company was also gained by moving people to fill different overseas positions. The overseas operation was allocated centrally. However, the overseas placement, according to the resourcing and development manager, was not intended necessarily to further personnel development, but more to fill a particular job. Thus, in Cadbury Schweppes there were people in international vacancies because of their developmental needs, as recognised from participating in one of the programmes mentioned above. Also there were those who took up an overseas position because there was a need to fill a job with the right person, i.e. one with the correct experience and expertise.

Individual business units normally run formal training, and each unit usually has people within their HR and training departments to run training and/or to arrange the use of external providers. Attitude to formal training differs between units. Some business units favour it, considering it a key tool for the development of a successful manager. In these units, managers have intensive formal training during their first few years, covering a number of different skills. In others, managers are encouraged to get additional qualifications such as an MBA. Also, different business units employ different procedures for their recruitment and selection.

Most of the big units also have a succession-planning audit and an MD audit, concerned with planning and auditing career management. Since changes in the business environment have forced organisations to become much flatter and less structured, nowadays only very few have structured career ladders. In many organisations cross-functional movements are encouraged as a part of MD. Business units also have performance management programmes and review systems to monitor an individual's development. Overall, the approach to development depends on the philosophy of the individual business unit. However, the general tendency is to move towards developing people in terms of their competencies. The nature of competencies is described below using the example of competencies in Cadbury Ltd.

The emphasis in employee development in Cadbury Schweppes is moving towards a combination of an individual managing their own development in conjunction with the company providing tools and support. Many business units use personal development planning systems and give people support and development programmes, and individuals in turn are required to take the initiative in their development. An example of such a system is presented in the following section where the approach to MD adopted in Cadbury Ltd is described. The evidence for this case study is drawn primarily from interviews with the following managers: the training and MD manager, the training manager (sales), the commercial manager, the business development manager, and the regional field manager.



## **6.5 MD in Cadbury Ltd.**

This section presents the model of MD adopted by a British subsidiary of Cadbury Schweppes PLC. It is argued that the influence of the business environment is reflected in the MD model the company has adopted. However, differences in MD practices and processes between those applied in the subsidiary and those described as “ideal-type” British practices in Chapter 5 suggest that organisational context has played an important mediating role in the process.

### **6.5.1 History of the site and its organisational structure**

Cadbury Ltd is a UK subsidiary of Cadbury Schweppes PLC. It represents the chocolate confectionery business of the company, and operates in all sectors of the chocolate confectionery market. Cadbury Ltd is the largest employer within the European operations of Cadbury Schweppes PLC, with a total of some 5,300 employees spread over four sites, the largest site being in Bournville (*Cadbury Schweppes: an ECF/IUF Study*, 1994). The Bournville site is also the oldest. Construction works started in January 1879, when Cadburys decided to move their business to a new site three miles to the south-west of Birmingham, next to the river Bourn. By the end of September 1879 the transfer from the old works in Birmingham was complete (Williams, 1931). Together with the construction of the purpose-built factory, a village for employees was built. Both the factory and the village were given the name Bournville.

Apart from Bournville, the company has three other production sites. These are Somerdale in Bristol, Chirk in North Wales and Marlbrook in Herefordshire. The Bournville site in Birmingham is the headquarters of Cadbury Ltd, where the central administration (the head office team, co-ordinating marketing, sales, technical development, information systems, finance and personnel) is located. There are two factories on the site: the assortment factory and the moulded factory. The assortment factory, which is twice as large as its companion in terms of employment, produces a range of chocolate assortments, the best known of which being Cadbury's Roses. The second factory on the site, the moulded factory, produces Cadbury chocolate bars, crème eggs, and the chocolate used as a raw material elsewhere in the company's operations. Combined, the two factories in 1996 employed around 2,900

employees, and the management population numbered around 600, all with the job-title manager, including first-line managers in the factories.

In 1996, the HR function was headed by the training and MD manager whose responsibilities included setting HR policies for all managers in the company and the organisation of general MD training. Each factory had its own personnel manager and a training manager responsible for training, primarily for operators up to first-line managers. They were also responsible for managerial training in areas concerning development. However, the broader MD for manufacturing was handled centrally by the company personnel department.

### **6.5.2 Transformation of Cadbury Ltd and MD principles**

The employee development system in Cadbury Ltd was very much based on principles which evolved during the period of change of the late 1970s (Child and Smith, 1987; Smith et al, 1990). It transformed company management philosophy and shaped the current MD processes and practices. Key changes included a restructuring of the company aimed at challenging the existing “in-house” logic, by which design and manufacture was largely handled directly by Cadbury employees on a concentrated and integrated production site (Smith et al., 1990). The introduction of a matrix organisational structure triggered changes in management policies. The company announced its commitment to task-centred production, and introduced a management-by-objectives approach, which implied a decentralised, team-based approach to managerial tasks and a participative management style. The focus of development was changed to stress the importance of managerial rather than functional skills (Smith et al., 1990). The authors (p. 171) note that “an agreement on flexibility was reached with the companies’ trade unions, which involved breaking down demarcation within skills, and a recognition that, with training, any craftsman could do any job. It was proclaimed that mobility between functions and exposure to different management functions would increase management effectiveness and make specialists better candidates for top managerial jobs.” The idea of acquiring a skill at the onset of one’s career and carrying this through to retirement was replaced by that of continuing education and training. The company accepted “competence” as the guiding principle in flexibility, and changed the focus of management training to



become more task-oriented (Smith et al., 1990: 148). The following section shows the system of MD adopted in the subsidiary.

### **6.5.3 Competency-based approach**

Company policy concerning employee development was set out in the vision statement (*Cadbury Ltd*, 1995). This highlighted the importance of being market responsive and performance driven in order to be successful in future, both in the pursuit of competitive advantages and in coping with continuous change. Thus the company would focus on ongoing performance improvement, and also developing the empowerment and accountability concept through employee development.

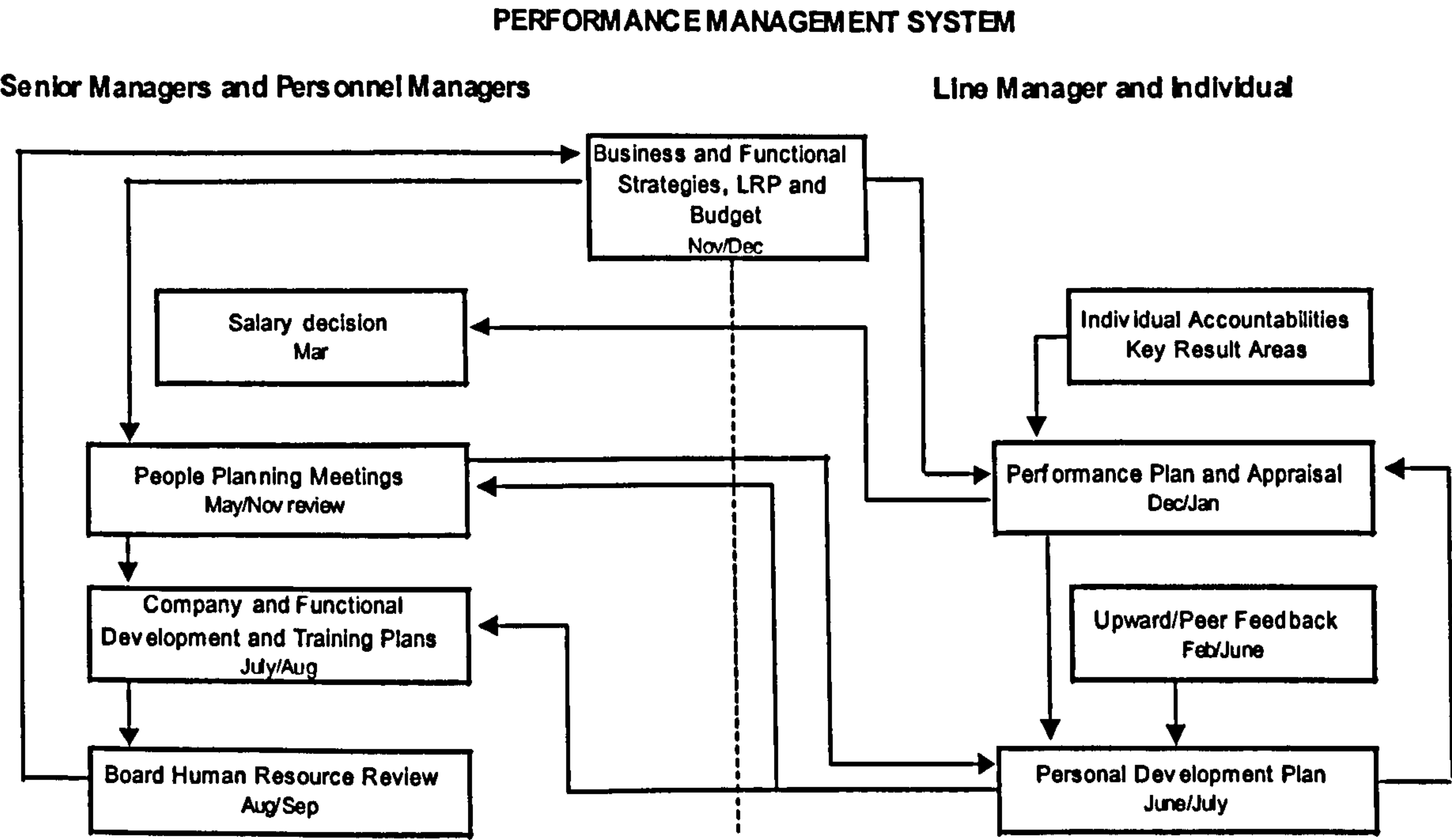
Within this policy the approach to MD was based on competencies. According to the training and MD manager, there were two sets of these. They were core competencies and competencies related to a particular job. In 1994, the company initiated research to define its core competencies. Six were identified. They included: the ability to focus on the key tasks of the business; result orientation (i.e. the ability to set challenging targets, and the commitment to achieve them); flexibility (adjusting to new circumstances, switching tasks quickly, working in teams and using individual initiative). The remaining three core competencies, continuous improvement, empowerment and innovation, encouraged imagination, through individual empowerment and devolved decision making.

Every manager in Cadbury Ltd was required to exhibit and develop these core competencies, above and beyond the skills related to his or her job. Together with the introduction of competencies, other changes occurred. The MD process was now mostly focused on providing the environment to support all employees in their development. A new performance management system based on these underpinning principles had been developed and introduced in the company in 1995. The system comprised two elements. They were performance planning and appraisal, and personal development planning. The system aimed to co-ordinate all MD processes on the site.

6.5.4 Performance management system

Under the new performance management system (Diagram 3), business and functional strategy, together with the budget for the coming year, were set in November. They specified objectives for individuals through performance plans. Performance appraisal meetings were held in January to assess performance for the previous year and, on that basis, to determine salary increase. In addition to this, every individual completed a personal development plan (PDP), usually in June or July.

Diagram 3 Performance management system in Cadbury Ltd.



The business and functional strategies and budget were also discussed at planning meetings in May. These took place at the functional level, and centred on personnel-related issues crucial to the achievement of functional strategies, which were usually set 4-5 years in advance. They aimed to determine whether there was any surplus or deficit of personnel and skills, and what was required to implement the strategy. Means of tackling these issues, such as recruitment, training, or changes to the pay system, were also discussed. Finally, the development of staff with potential was discussed. This fed back into personal development and individual career plans during PDP meetings in June/July.



Company and functional development and training plans were from decisions made at planning meetings in July/August. In November, planning review meetings discussed the initial plans, how they were being achieved, and issues arising from individual PDP meetings. The human resource board review meeting took place in August/September.

The introduction of the system required considerable effort from both individual managers and the company, since the intention was to transfer responsibility for personal development to individual managers by giving them more skills and support to manage the process. Many tools such as, for example, the brochure *Every Cadbury Manager's Guide to Performance*, were developed to support the new approach. In the beginning, all 350 middle managers were given a short briefing and supplied with a set of guidelines for a competency-based framework. Junior managers were to become involved in 1996. The system linked together MD processes. The following sections, which are based on interviews with line managers, discuss in detail MD practices in the company.

### **6.5.5 MD practices in Cadbury Ltd.**

This section aims to compare and contrast MD practices in the subsidiary with the “ideal-type” British MD practices described in Chapter 5. Table 6.2 on the following page shows that there are many similarities between practices adopted by the company and those described as “ideal-type” in the literature, inviting an investigation into the influence of national economic environments. The differences, however, arise from the unique organisational context of the company.

#### **6.5.5.1 Managerial recruitment**

As shown in Table 6.2, a key difference is the approach to recruitment, where Cadbury relies primarily on the internal labour market. Therefore, the focus of the process of managerial recruitment in Cadbury Ltd. has been on graduate recruitment, and it is oriented towards the identification of management potential.

The managers interviewed stressed that the majority of current managers followed the company's graduate development programme. Furthermore, in order to identify potential the company uses assessment centres in its selection process. The interviewees said that by running these in conjunction with the personnel department, they were actively involved in the selection procedure. Apart from interviews, the company also uses different kinds of tests, such as psychometric and numerical tests, in order to identify areas which might require development or monitoring.

Table 6.2 Cadbury Schweppes MD practices compared with "ideal-type" British management development practices

Management Development practices in UK	Cadbury Schweppes MD practices as example of Cadbury Ltd.
<i>Recruitment</i> Reliance on external labour markets for managerial recruitment High inter-firm mobility of managers	<i>Recruitment</i> Reliance on internal labour market for managerial recruitment Graduate recruitment Focus on early identification of potential
<i>Training and development</i> Little or no central co-ordination of training activities Focus on development of general management skills Stratification of skill-based groups	<i>Training and development</i> Little central co-ordination of training; co-ordination of activities in business units Focus on development of general management skills Elimination of stratification of skill-based groups
<i>Career management</i> Career progression is mostly via inter-organisational /inter-sectoral moves Individual responsibility for career progression	<i>Career management</i> Internal career progression Transfer of responsibility for development to the individual
<i>Rewards and appraisal</i> Rewards are tied to short-term performance (predominantly financial) measures Status-wage differentiation based on job classification	<i>Rewards and appraisal</i> Rewards are tied to short-term performance measures Status-wage differentiation based on job classification

6.5.5.2 Training

Though is little co-ordination of training from head office, training is co-ordinated on-site (Table 6.2). Thus, general management training is delivered centrally, and professional/technical training is organised by the functions themselves. The personnel function is in charge of the co-ordination of several programmes including



the graduate development programme, as well as the development of those with potential. The company runs some core career point programmes to develop potential, and in some cases an MBA is recommended. Also important is participation in cross-business programmes, such as ADP.

The focus of training in the company is on developing a general manager rather than a functional specialist, which is similar to “ideal-type” training practices in the UK (Table 6.2). According to the managers interviewed, the company runs many training programmes on team building and team working, courses on leadership skills, time management, and courses that focus on career development, etc. The reason behind having so many general management programmes is, according to people implementing MD, to encourage cross-functional development. This focus is also reflected in the process of career development.

#### **6.5.5.3      *Career development: personal development planning***

Personal development planning has been designed to drive internal career progression and encourage the individual to take responsibility for his or her own development (Table 6.2). The framework used for PDP is based on competencies. The actual personal development plan is a document in three sections. The first section contains notes about identified job related training needs, while the second is about career aspirations and potential. The final section is the development action plan designed to meet job and career development needs.

Every manager is required to know his or her job-related competencies and core competencies. The competency framework provides a definition and description of each competency, and job-related competencies are identified through a discussion between the individual and his or her line manager, sometimes with the participation of other members of the team. Identified competencies help with suggesting training and development needs. A comparison of present against required levels of competency reveals areas a manager might need to improve or develop. PDP meetings are separate from appraisal meetings. However, performance related training needs are also identified at appraisal meetings and target setting meetings. The brochure *Every Cadbury Manager's Guide to Performance* contains information

about all possible activities that an individual can undertake within a particular area including relevant training courses and books.

Within the framework of PDP the basis of responsibility for career development has been transferred to the individual manager. The underlying assumption is that it is no longer the company which drives career progression, but an employee, with the help of the company. The business development manager summarised:

“Development is the individual’s responsibility themselves, and if someone wants to learn new skills and work in a different area then the opportunities are there. (But) there is no-one in the personnel department to come and say we would like you to do such and such.... once you are a fully-fledged manager, it is very much up to you to manage your own development”.

The company encourages internal promotion. A manager stays in the company on average number for nine years, and one manager had been there 17 years. According to the regional field manager, there were a lot of people who stayed for 30-40 years. Though the company encourages cross-functional transfers, upwards promotion tend to be more rapid within the same function rather than cross-functionally, because of the importance of relevant functional experience.

#### **6.5.5.4      *Performance planning and appraisal***

As shown in Table 6.2, rewards in the company are tied to short-term performance measures. According to interviewees, the first element in performance planning is setting management objectives. Objectives are usually set at the beginning of each year, and agreed in discussion with an immediate superior. Objectives cover a broad range of job accountabilities, and are then translated into tasks for each individual manager, specifying a timescale for their achievement. Agreed objectives and “measures of success” are signed off by an individual manager. Every manager usually has a half-yearly review meeting with his or her immediate boss to discuss progress on objectives as well as any possible action required to help to achieve them if there are any difficulties. At the end of the year or the start of the next year there is an appraisal meeting. During this a formal review of overall performance takes place, and the meeting concludes with a performance rating. The rating affects the



manager's reward both in terms of salary increase and any annual bonus. Potential is also identified on the basis of performance appraisal.

The system of MD at Cadbury Ltd has developed from the company's pattern of development and business needs. Cadbury Schweppes wanted to introduce this into its Russian subsidiary. The next section focuses on the transfer of MD practices to its Russian subsidiary.

## **6.6 Cadbury Confectionery ZAO**

Cadbury Confectionery ZAO is a Russian subsidiary of Cadbury Schweppes. This section deals with the transfer of management and MD practices from its parent company. How the subsidiary was developed is presented, starting from the initial investment, business environment and development of the Cadbury business in Russia, examining which practices were transferred as well as the mechanisms of transfer themselves. As we shall see, the process was accompanied by tension and misunderstanding. The case study is drawn primarily from interviews with 12 managers both in Moscow and at the company's Chudovo site. Two of these managers were from the HR function, while the others were from different functions, including marketing and sales, IT, engineering and production.

### **6.6.1 Initial investment and development of the subsidiary**

Initially, in order to explore the Russian market without committing much capital, like many other western companies, Cadbury Schweppes opened a representative office. It brought together certain other companies into a consortium called Venture Impex, which operated until 1995. Through this vehicle, Cadbury Schweppes was mainly involved in selling a limited range of its confectionery and beverage brands.

As the market matured, Russia became a significant consumer of UK chocolate, with Wispa, Fruit & Nut and Picnic soon becoming leading brands. This market was supplied from Cadbury's manufacturing plants in the UK, Germany, South Africa, Ireland, Spain, Egypt, Australia and India. In March 1995, Cadbury announced that it had tripled its exports of chocolate bars to Russia in 1994, with total exports reaching

26,000 tonnes. This export volume was equal to more than half the output of its UK plant at Summerdale, Bristol (Oram, 1995). In 1995 local brands had only 20 per cent of the Moscow market, and Moscow's chocolate market was dominated by two foreign firms: a Russian subsidiary of America's Mars empire, Masterfood, with a 35 per cent share; and Britain's Cadbury Schweppes with 17 per cent (*Economist*, 18.03.95).

According to the *Financial Times* (31.07.1996) the turbulent business environment, characterised by a high degree of uncertainty about developments in the country and the potential for profitable business, triggered multinationals to put down deeper roots in Russia by opening their own production sites. Thus, a major competitor of Cadbury Schweppes on the Russian market, the Mars corporation, started producing chocolate from a \$150 million greenfield plant in Stupino, outside Moscow. In 1995, Cadbury Schweppes declared its intention to build a factory in Russia. The investment underlined how important a market Cadbury thought Russia might become in the future. According to the Russian press (*Kommersant*, 27.11.1996) Cadbury Schweppes considered the Russian confectionery market as potentially the third largest in Europe.

Cadbury Schweppes launched its confectionery mill in Chudovo, on November 26, 1996. According to *Candy Industry* (December 1996) this was the first subsidiary of Cadbury Schweppes in Russia and its largest outside Britain. The \$120 million greenfield factory, with a capacity of 45,000 tons a year, was built in 12 months. The company has a 49-year lease on 10 hectares of land, with the main factory occupying a total of 38,000 square metres. The chief products manufactured at the factory include Picnic, Wispa, Fruit and Nut and Dairy Milk chocolate bars. The factory was built to fill the needs of the Russian market and it was expected that some of the output would be exported to Asia, where existing Cadbury Schweppes plants were not producing enough to saturate the Asian market.

Apart from the development of a factory, Cadbury Schweppes also contributed significantly to the local infrastructure around Chudovo, a small town some 100 miles south of St Petersburg with a population of 18,000. Peter Knauer, who was the deputy general manager of the company at the time of the fieldwork, estimated Cadbury's investment in the local infrastructure in 1997 at \$7 million, including \$1.5



million in the local power station, \$200,000 towards the construction of a fire station and about \$120,000 for the reconstruction of the filtering system for the local water supply. The company established a good relationship with most of the local enterprises, encouraging them to help each other (*Kommersant*, 27.11.1996).

The company transferred modern technology to the newly built factory. According to the resourcing and development manager the factory is one of the most technologically advanced factories in the world. This made transfer of management practices and skills urgent. Work on improving operational performance in the factory, investment in the commercial programmes and development of the Cadbury route to market were named by the company as key activities in the further development of their business in Russia.

The key challenge that many western consumer goods companies faced in Russia was that of coping with the country's primitive distribution system. Oram (1996a) argues that western companies would have to build national distribution networks that could keep up with production. To a branded goods maker, lack of distribution control was the gravest threat, since counterfeit goods could easily destroy brand credibility. Since there were no retail chains to deal with, some of the bigger producers decided to set up wholly-owned distribution networks large enough to service hundreds of different shops (*Economist*, 18.03.95). Cadbury Schweppes declared on April 14, 1998 that it was starting a new regional programme aimed at attracting new dealers and wholesalers. The company already had 50 large-scale distributors and 5,000 trade partners. Visits to 13 Russian cities were planned to increase the number of distributors and partners specialised in delivery directly to retail outlets (*Kommersant*, 15.04.1998). By 1996, the company already had sales representatives in 19 different cities in Russia.

With further development of the market and the reappearance of some local producers and brands came a recognition of the importance of local tastes. According to market studies, Russians consume more plain chocolate than milk chocolate and buy more chocolate bars than filled chocolate. In order to cater to the specific demands of Russian consumers Cadbury arranged for the production of plain chocolate, to be sold under local trademarks (*Izvestiia*, 07.04.1998). In 1997 chocolate volumes in Russia increased by 65 per cent, mainly from Cadbury's Wispa

and Picnic, but also from the introduction of a range of products tailored to more traditional local tastes, such as Cadbury's Tempo, a wafer product, and a dark chocolate range (*Cadbury Schweppes PLC*, 1997).

Company dependence on imported raw materials brought crisis in August 1998. In September 1998 it was forced to stop its production project in Russia, which had been producing 20,000 tons of confectionery a year since opening in 1996. Cadbury reported that the imported raw materials made the confectionery too expensive and they could not meet demand (*Kommersant*, 26.09.1998). These unexpected difficulties forced Cadbury to accelerate the introduction of management systems and practices, and also necessitated some adaptations to them.

## **6.7 Transfer of management and MD practices to Cadbury Confectionery ZAO**

This section focuses on the introduction of management and MD systems and practices in Cadbury Confectionery ZAO. By the time of the fieldwork, the company had existed for only two years. Therefore, this section presents both what had already been transferred up to the time of the interviews, and also what was intended for transfer in the future. It aims to present the key elements of the system which is to be used in the company, and covers the following issues: focus and priorities in the transfer process; mechanisms used to transfer practices; the practices transferred. It also examines the tension and misunderstandings that accompanied the process of transfer. The section starts with an overview of the organisational structure and the HR function established in the subsidiary.

### **6.7.1 Organisational structure**

The organisational structure of Cadbury Confectionery ZAO was as follows. The head office was in Moscow, and the factory site was in Chudovo, in the region of Novgorod. The company also had representative offices in a number of cities across Russia. The company was headed by the general director, whose office was in Moscow. Central administration, including the personnel, marketing, sales, finance and logistics departments, was also located in Moscow. Production and production



support departments were in Chudovo where there was also a central warehouse for both imported and locally produced finished goods.

The head of the factory was the factory director. The factory management team included the factory director and those who report to him. They were the technical director, the HR manager, the production manager, the logistics manager, the factory finance manager, and the head of IT department. The finance manager, the HR manager and the logistics manager were also in the management team headed by the factory director, and also reported to the heads of relevant functions in the Moscow head office.

In 1997 Cadbury Confectionery ZAO employed a total of 540 people, with 120 in Moscow, 190 at the factory and 230 in sales offices in different cities across Russia. At the time of the fieldwork in January 1997, the company had two production lines, though it was planning to increase the number of employees to 350 in order to run four lines and operate 2-3 shifts. After the official opening of the factory at the end of 1996, only three expatriates still worked on the site. They were the factory director, the technical director and the production manager.

The HR function was organised as follows. The head of the function was the HR director, a member of the operating board. There was also the HR manager. Both of them were in the head office in Moscow, and both were expatriates. In Moscow there was also an HR officer and two administrators, as well as a number of trainers within the sales function to undertake the training of the sales force, including management skills training. At the factory there were the HR manager, the training manager and an employee in a support role. The HR manager in the factory was also in charge of kitchen administration, maintaining health and safety regulations, etc. The whole function was designed recruited by a resourcing and development team at the London head office.

The following sections analyse the process of transfer of MD practices to Cadbury Confectionery ZAO. Issues such as what practices were transferred are covered, as well as the transfer mechanisms used and the success of the process. Table 6.3 on the following page summarises key issues related to the process of introduction and implementation of management and MD practices in the subsidiary. It highlights the

focus and priorities of the transfer as defined by the parent company; it also summaries the practices transferred as well as the mechanisms used by the company to transfer its practices. Table 6.3 shows areas of tension and misunderstanding, which were identified by managers in interviews. Finally, this table highlights factors which either intensified or reduced these concerns. Problems and tensions were identified during interviews and then analysed against hypotheses presented in Chapter 5 (Table 5. 4, Diagrams 1 and 2).

### **6.7.2 Focus and priorities in the transfer of management and MD practices as defined by the parent company**

Several factors determined the objectives in MD and the way the company initiated MD activities in Russia. The HR director summarised:

“The single most important thing that influences MD (in the subsidiary) is the need to import skills to the Russian management field quickly. [Russian management personnel] are very highly educated, very intelligent, but we are trying to give them the tools...which in the West they would have grown up with, and they would assimilate in high school and college education.... And we try to do it fast”.

However, the parent company’s management philosophy determined the approach to and focus of MD in the subsidiary. The importance of employee development was reflected in the mission statement (*Cadbury Confectionery*, 1995). Therefore, the aim was to involve every employee in the company in developmental activities. Furthermore, in accordance with the philosophy of Cadbury Schweppes, the company made concerted efforts to recruit local staff into its management.

In the initial stages of development of the new subsidiary, people from the UK head office were actively involved in setting up the whole business. However, by the end of 1996, with the official opening of the factory in Chudovo, it was expected that local people would take over. The focus of training and development activities was on enhancing employees’ understanding of the current business situation and the priorities of business development. With the company’s dedication to teamwork, employees were taught to work together and to exhibit leadership and initiative. In training and development activities priority was given to developing those with potential. As shown in Table 6.3, the following management and MD practices were



given priority in the transfer process. First, the company introduced training programmes which were offered to all employees and covered different issues from an introduction to the company history and values, to interviewing skills and time management. Furthermore, a performance management system which aimed at identifying training and development needs was used throughout the company.

The system was also utilised to identify management potential. The process included target setting, based on measurement against objectives, and was key to all other processes based on the achievement of these objectives: salary increases, development, training, and career progression. For some of the more senior and high-potential managers the company offered more detailed personal development planning. This involved building individual development plans based on competencies. Core competencies in the subsidiary were identified in the following way. The list of Cadbury Schweppes competencies was given to every director to choose a top eight, and then the responses were summarised by the HR director. The reason for this approach, according the HR director, was time pressure which did not allow further “research”.

Finally there was a special project at the factory which involved specific training in supervisory skills for all new management staff. The key objective of this training was to introduce teams and team working practice.

Table 6.3 Transfer of management and MD practices to Cadbury Confectionery ZAO

Focus and priorities in the transfer of management and MD practices as defined by the parent company	Ways used by the parent company to transfer practices	Practices transferred	Identified problems and tensions	Factors which intensified or reduced misunderstanding
Fast introduction of parent company management practices	Head office team with assignment to establish local HR function and introduce practices	<i>Management practices:</i> New technology and new methods of work; New jobs and new skills requirements; Team-work	<i>Challenges to traditional MD practices:</i> Formal vs. informal training; Value attributed by the locals to development of technical / functional expertise; Coaching vs. controlling management style; Preferences to structured career progression (local managers)	<i>Misunderstanding intensified by:</i> Time pressure and unstable business environment, which forced Cadbury Schweppes to speed up the process of transfer – not enough time left for explanation of practices
Early identification of potential and focus on development of potential	Introduction of formal structures to manage human resources	<i>MD practices:</i> Recruitment focused on identification of high potential; Use of different assessment tools in recruitment; Formal training programmes based on actual needs;	<i>Lack of explanation given to the practices transferred:</i> Lack of local understanding of why the systems and practices were transferred resulted in their misinterpretation;	<i>Misunderstanding reduced by:</i> Greenfield site mode of entry - more homogeneous labour force; Focused and consistent transfer of practices;
Training needs analysis and development of formal training programmes available to everyone	Introduction of different tools to support and guide development  Fast and focused transfer of practices through extensive use of expatriate managers in the subsidiary	Other forms of training, e.g. coaching, mentoring, productive maintenance training, in addition to formal training; Use of competencies for identification and development of potential; Performance management system based on appraisal interviews and linked to compensation; Target setting; Career management system promotes active role of the individual in personal development	Lack of understanding of the practices transferred and how to use them increased feelings of insecurity and put trust relations under pressure  <i>Local labour market:</i> Retention issue; Some adaptation of practices	Sensitivity to local needs, which helps develop trust relations; Clear understanding of the role of expatriate managers in developing the locals; Conscious and focused attempts to build shared work culture
Focus on development of general management skills	Coaching		<i>Implementation of the practices transferred:</i> Heterogeneous management team in terms of background and experience – differences in implementation and sometimes formalised use of practices	
Localisation				



### **6.7.3 Ways to transfer practices used by the parent company**

Table 6.3 shows that Cadbury was introducing new systems by active use of expatriates. At the initial stage of its development, there were many of these at Cadbury Confectionery ZAO. Together with their expertise and knowledge of company-specific issues, such as products, technologies, approaches to marketing and management systems, expatriates were also actively involved in the coaching and development of local people. Apart from expatriates with long-term contracts, there were also many people on short-term secondments (up to 6-9 months), having definite assignments which also included development of the locals. Thus, one expatriate was in charge of setting up the sales operations function and one of his main responsibilities was to train a local successor to take over the whole function when he returned to the UK. However, the intention was to minimise the number of expatriates. As mentioned above, with the opening of the factory in November 1996, many expatriates left, and those who stayed were at director level, having contracts for an additional 2-4 years. It was assumed that in four years' time the company would have developed local people through the succession planning process.

The introduction and implementation of the transferred practices was supported by extensive training for all managers. According to the interviewees, basic processes, such as the performance management system, were already in place in 1996. Training for the performance management system took five hours, with a number of follow up meetings. Since the company wanted to start using the system from 1997, by the end of 1996, the whole sales force was on training, as were the managers in manufacturing. Training for senior managers in the factory also focused on the introduction of the performance review system, and sessions included setting objectives and conducting appraisal meetings. The plan was, according to the HR managers interviewed, to have everyone in the company trained to use this new system.

This section has described the focus and priorities, as well as the mechanisms the company used to transfer its practices. The following sections present the MD processes and practices in Cadbury Confectionery in more detail.

#### **6.7.4 Contextual influences in MD processes**

MD practices were transferred in order to support the introduction and implementation of management practices. However, as indicated in Table 6.3 the process of transfer was accompanied by misunderstandings. Problems and tension occurred primarily due to contextual influences. Both the people implementing MD and those who were being trained highlighted two key factors due to which this influence was particularly marked. These were the influence of the local labour market and the fact that the transferred practices challenged traditional MD practices in Russia, as described in the previous chapter (Table 5.4). Particularly evident was this influence on the implementation of such practices as managerial recruitment and training. There were also a number of factors which intensified or reduced misunderstandings, and these were also discussed by the interviewees (Table 6.3).

##### **6.7.4.1 *Managerial recruitment***

The focus of the managerial recruitment and selection system was to identify and recruit people with potential. Requirements for candidates differed depending on positions applied for. However, for senior-level positions the company used a criteria-based approach. In addition to job-related competencies, the company also looked for basic competencies including initiative, teamwork and problem solving. Selection procedures in the company involved a number of interviews. Also, depending upon the level of a position, there were assessment exercises including case studies, skill testing tasks, and different tests. In the initial stages of the subsidiary, development managers from the London head office took an active role in the recruitment and selection of future managers.

The influence of the local labour market was evident, as the outcome of the recruitment process was a diverse managerial population in the subsidiary, both in terms of educational background and experience and average age. More older managers were in manufacturing, while in the Moscow office they tended to be much younger, generally recent graduates with a few years' experience. All the managers interviewed had higher-education degrees. Managers working in production overwhelmingly had a technical background, with experience in manufacturing.



Given that the job market in Moscow was more competitive, all managers interviewed in Moscow (four locals in total) started their business career part-time while still at educational institutions, and by the time of their graduation had impressive lists of different experiences, in some cases even abroad. The same was true for the younger generation of managers in Chudovo. Given the specificity of the local labour market (limited managerial mobility discussed in Chapter 5), it was easier to find people in Moscow than in Chudovo, where only a limited number of managers came to the factory from the office in St. Petersburg, which was previously a part of the Venture Impex firm but in 1995 became a sales office of Cadbury Confectionery ZAO.

Also, as shown in Table 6.3, another specific issue mentioned by people implementing MD was that of retention. According to the resourcing and development manager, the market place was very tight, particularly in Moscow and St. Petersburg, and especially in some functions, such as sales. This put a person who was trained and developed in a western company in a very marketable position, and sometimes led to a decision to leave. Furthermore, according to the expatriate managers interviewed, a selection process such as that used by Cadbury Confectionery increased people's expectations. These managers said that within the Russian environment people expected to move up very quickly and to enjoy very rapid career development. Therefore, employees wanted a very clear understanding of what their next move would be, and preferred a structured career path. From the point of view of the HR managers interviewed, this created a conflict between the expectations of employees, and those of the company which wanted them to take responsibility for managing their own career development. The company therefore had to find a compromise, which was often sought through the organisation of training programmes.

#### **6.7.4.2     *Training***

Training and development in Cadbury Confectionery was monitored by a system based on performance review. Initially, training needs analysis was carried out by the HR director in consultation with other managers. With the introduction of the

performance management system, training needs were identified during performance review meetings by heads of department. Alternatively, in some departments managers were independently carrying out performance development initiatives for their subordinates, and these were also monitored by the HR director. She also coordinated all training activities in the company.

Starting from 1997 the company planned to introduce a more systematic approach to the organisation of training. The expectation was that during a performance review in April 1997 people would be allocated to different levels of skills. All together there would be five levels including the foundation level, with level four corresponding to director level. Training would be provided for all these levels. Basic skills were set and evaluated against English NVQ standards, and a training budget was also introduced. Training and learning would be very much geared towards those having the potential to become senior managers. Thus, training at the foundation and junior levels would be concentrate on basic skills.

The introduction of new technology and management systems required intensive training. Also, the introduction of teamwork in the factory drove the necessitated training supervisors in team building. One particular training event in the factory involved all operators and engineering and technical managerial staff, and focused on the process of equipment assembly. This event was held in conjunction with machinery suppliers. This, according to the shift manager, allowed people to learn very quickly how to carry out their jobs by themselves, and also resulted in changed attitudes. Furthermore, in Moscow three cross-functional scheme teams were set up to work on different projects.

As shown in Table 6.3, the focus of training in the company was determined by the philosophy of Cadbury Schweppes. It was designed to provide training for all employees but retained the focus on the development of an individual's potential. The HR director argued:

“We will always be a narrow training team. The training provided to variable levels will always be focused on key individuals who can help us with the business”.

As mentioned above, the company considered functional skills a basic requirement for a level one employee. Thus, the emphasis was on the development of general



manager skills to nurture senior managers and directors from among the Russian nationals. In its recruitment and selection procedure the company tried to choose people who already had some basic functional knowledge and skills, so it could focus more on general management issues.

Functional/professional training in the company was organised by the functions. More general training was organised on the initiative of the HR department, and, according to people being trained, every manager in the company could choose to attend any course listed on the programme. Usually managers knew about available training up to a year in advance. The procedure for gaining a place on a training course, as described by the interviewees, was as follows. The individual took the initiative. When a manager wanted to go on a particular course he or she had to raise the issue and discuss it with his or her immediate boss. If the boss supported the idea, then the HR department had to be notified and the individual was enrolled on the course. In some cases individual managers sought advice about particular courses from the HR department. The interviewees commented that the company supported the initiative of managers concerning training, providing it was relevant from the company's point of view. For example, it would not support a brand manager to go on an MBA programme, but it did support distance-learning study for the health and safety manager.

As highlighted in Table 6.3, there were a number of issues which influenced the introduction and implementation of training in the subsidiary. The view of the HR managers interviewed could be summarised as follows. At the time of the fieldwork, the company was focused on addressing the most urgent needs in terms of training, and therefore, it did not consider taking part in any of the wider corporate programmes such as, for example, the APD programme. The other issue was time pressure. Given the speed of developments in Russia, people could not be released by the company for these programmes because, as the T&D manager argued, it would be a long-term commitment which they could not afford at that time. In the future, though, the company aimed to use all the opportunities provided by the group for specific training of their high potential staff.

The people in training also differed in terms of attitudes to that training. The majority of them were very interested in both professional and managerial courses. However,

time pressure sometimes interfered with their development plans. The maintenance manager said:

“All training should be done when people have time, during breaks. We have our work, and having training on top of that is too much. If you take 8 people out of 30 into training it is too difficult, and when the line stops nobody is interested whether my people are on training or not, it just has to be repaired”.

Also, the interviewees stressed that they would prefer to have training in a form of formal training programmes as opposed to gaining experience on the job, or being coached by somebody. Both people implementing MD and those in training argued that the locals preferred development of technical expertise to general management skills. The resourcing and development manager said:

“They never mention the ability to manage people or to communicate. They say they must learn how to be an engineer or a teacher and so on. A lot of people in this country still think that the softer side seems to be less important”.

Local managers in production expressed much scepticism about training as technical specialists, arguing that technical specialists in Cadbury had narrow backgrounds compared with their own. Also, general training was not seen as being very effective for those who were not in the position to become a general manager. Thus, for more junior managers it was much harder to utilise or implement the results of this training, and they could only do so if their own managers were actively employing the lessons themselves. There were also differences between the functions in terms of how successful they were in training their managers.

As shown in Table 6.3, apart from formal training programmes the company actively supported on-the-job training, and all managers were encouraged to provide coaching. The HR director highlighted that expatriates also had a training role. Starting in 1997, they were expected to spend up to 30 per cent of their time on training. However, for some local managers it was difficult to accept that coaching was part of their work, and they expected all training would be wholly the responsibility of the personnel function. The maintenance manager commented:

“We still believe that training is something organised for you by those training departments ... my role is not about training



(coaching), it is about providing good maintenance to production lines in order to eliminate breakdowns.”

HR also took the view that the initiative to request training always had to come from the individual, and a manager had to understand from the outset that in order to be successful he or she should develop a network of people around who could be helpful. However, being accustomed to work in a very hierarchical and structured environment where management was oriented around command-and-control relationships, some interviewees still believed the position of a boss did not necessarily imply being a good communicator. The position itself conferred the right to tell subordinates what they were required to do. Conversely, the expatriate managers interviewed believed that the new unstructured environment made it important to understand that in these circumstances there was not necessarily a very clear chain of command, and persuading and influencing others was much more important in decision making.

Both the HR manager and the managers in training who were interviewed, agreed that the company found a compromise solution to the problems presented above by tailoring a programme of training with individuals, and having some core training programmes run throughout Russia for all employees. This brought some formal structure to the training. At the same time the company tried to get people to recognise that they could also learn by coaching and by managing their own development. This was done by the focused transfer of practices and active use of expatriates whose role in promoting MD was clearly defined (Table 6.3).

The contextual influences that affected implementation of the transferred MD practices highlighted in this section, show the importance for successful transfer, of processes such as, for example, negotiation, and communication. Furthermore, the importance of shared values and work culture for the successful implementation of practices has been stressed. The following sections provide examples of practices where the lack of understanding of what had been transferred and why, as well as differences in how MD practices were implemented, resulted in increased tension and misunderstanding.

## **6.7.5 Formal structures and informal processes in implementation of MD**

### **6.7.5.1 *Performance management and appraisal***

The key process in the performance management system which was introduced in Cadbury Confectionery was that of setting objectives (Table 6.3). The procedure for setting objectives was introduced to different functions at different times - much earlier in Moscow than in the factory where it began in February 1997. As in the case of Cadbury Ltd, business and functional strategies specified business and functional targets. According to the interviewees, individual managers set their own objectives, depending on their level and experience in the company. Thus, for example, the sales operations manager wrote her objectives herself. However, for the majority of managers interviewed objectives were set by their immediate superiors. In every case objectives were discussed with immediate bosses. The outcome of this discussion was a document called an "objective statement" which was signed by both parties. This consisted of a table with four columns specifying key performance areas, objectives, measures of success and completion dates. Apart from functional responsibilities the objective statement specified responsibilities concerning personal training. As shown in Table 6.3, reward for performance depended on achievement of objectives. Potential was also to be identified on the basis of performance.

Interviewees in general welcomed the introduction of the system primarily because they could get "better-defined responsibilities" (sales operations manager). In practice, however, the content and focus of appraisal meetings varied from function to function. Two functions - sales and marketing – were more advanced their use of the system. During the appraisal meeting the brand manager discussed her objectives as well as job-related marketing competencies. There was a two-way discussion, and the brand manager gave her comments and presented her opinion. The outcome of the meeting was a decision over her salary increase. The appraisal meeting for the sales operations manager involved measuring the achievement of her objectives, and open discussion of her personal qualities. The main contribution was from the boss, who made these evaluations. At the end of the meeting the document was signed by the two parties. In other departments, managers were not really involved in the



process. According to the IT department's junior manager, he would not have had a meeting with his boss had he not initiated it himself.

The managers interviewed in Chudovo argued that apart from a few exceptions, appraisal meetings were very formal, and mostly focused on determining salary increases. The health and safety manager claimed that for him it was a very formal process, since he could not influence the decision made by his bosses beforehand. As part of his preparation for the appraisal meeting, the purchasing officer had to fill in a self-assessment form which contained a list of questions. On the basis of this self-assessment he was given a certain grading which influenced his salary increase. He was not happy about the whole procedure since it was very formal, with the only outcome a change to his salary, and even the questions for self-assessment "were not well thought through".

Other comments related to the company performance management system highlighted that there was lack of understanding of the transferred practice (Table 6.3). Given that the company system appraised managers on the achievement of functional objectives as opposed to management competencies, managers in the company insisted on prioritising technical issues. The managers interviewed argued that if the individual knew that the criteria of their assessment were based on, for example, coaching skills rather than a list of technical tasks, this would encourage him or her to take a different attitude towards acceptance of general management behaviours.

However, the managers interviewed were mostly critical of career management practices where a lack of understanding of transferred support tools led to their misinterpretation and misuse.

#### **6.7.5.2 Career management**

As mentioned above, the company drew up individual personal development plans for some personnel as early as 1996, and the development of potential was under tight control from the HR director. Starting from 1997, the HR director expected to have personal development plans for all key people in the organisation to be in place.

In 1997 every employee was provided with a guide for self-development allowing them, together with their managers, to draw up their personal development plans. The guide introduced the personal development planning process, and described all the steps, starting from descriptions of competencies and examples of behaviour, and also providing information about available training and other relevant resources. It represented a much-reduced version of the information available in Cadbury Ltd., adapted to Russia. By introducing this, the company attempted to shift responsibility for development to the individual. The HR manager said:

“We expect employees to manage their own career development.... To some degree they are expected to be their own managers when they choose to develop or not... But they will have all the resources to do this...”.

As shown in Table 6.3, the attitude to this initiative of managers in training varied. More-senior managers welcomed it and accepted the responsibilities. For example, the shift manager believed it was very useful, especially in identifying personal strengths and weaknesses:

“Nobody knows what he or she needs in terms of development, and this folder helps you to focus by asking yourself questions”.

However, as many of the interviewees argued, such an approach did not offer clear a understanding of what a person had to do to get noticed and promoted. The interviewees did not feel very secure in their jobs, as they did not know what they had to do exactly to be spotted and get the opportunity to progress. The company declared that it managed careers only for those who were most successful and who could make the greatest contribution. Thus for the locals it was very important to know what the company thought about their future and their potential. As highlighted in Table 6.3, according to the interviewees, lack of understanding of how to use the transferred practices resulted in managers being reluctant to accept personal responsibility for career development. The purchasing officer said:

“Its like being in a fortress, and any mistake is covered by the volume of production. There is no link between how hard you work and end results. Lots of things are very superficial, and initiative is not encouraged. In small companies there is much more opportunity to show initiative and take responsibility”.



The sections above give examples of problems and misunderstandings that accompanied the process of transfer of management and MD practices to the Russian subsidiary of Cadbury Schweppes PLC. Some of the issues highlighted might endure.

## **6.8 Conclusions**

In this chapter the MD model adopted by Cadbury Schweppes has been presented. It has been argued that the pattern of development of the company within the British national business system, mediated by its organisational context, produced a distinctive approach to the development of the company's managerial cadre.

MD in Cadbury Schweppes is based on the following key principles. The company is dedicated to the development of all its employees and life-long learning. Development of potential is given priority. Though some activities are organised at the corporate level, business units also employ their own systems to develop their managers, and these are mostly based on competencies. The focus of development is on creating general managers rather than technical specialists. Finally, the basis of responsibility for development has recently shifted to the individual, who manages his or her own development within a framework of support provided by the company. There are a number of systems in place to monitor and co-ordinate MD processes in business units. Thus, the model of MD in Cadbury Ltd. represents an integrated and structured system, which drives all processes and practices related to development in the company.

This system is being transferred to the Russian subsidiary of Cadbury Schweppes. Cadbury focuses its MD activities on the development of key individuals for succession to positions held by expatriate personnel. It sees its primary objectives as the diffusion of the competency language used by Cadbury Schweppes in the development of new managers, in order to move from an engineering mindset to more general management approach. This is accompanied by the introduction of a more task, target and management-by-objectives approach. The company had tried to structure the behaviour of managers by bringing in formal procedures. However, it is argued that institutional and cultural specificity of the transferred procedures might

hinder their acceptance in Russia. This is because the introduction of management and MD practices challenges existing managerial values and brings dramatic change to working patterns.

As suggested in Chapter 5, Russian managers have a distinctive management style based on a peculiar management logic, derived from their experience of working in a different economic and business environment. Russian managers are mostly specialists rather than managers in the western sense. This is related to perceived managerial values, where technical competence for Russians is seen as the basis of status and informal leadership. Therefore, Russian managers in the case study were against converting their broad engineering knowledge into company-specific information. This position was also influenced by the perceived lack of security over their career in the company. For Russian managers, clear understanding of their objectives and responsibilities was a major element in structuring their behaviour. It was hard for them to take responsibility for their own development, though as soon as they understood the implications they were willing to do so. This highlights the importance of informal processes in the transfer of management and MD practices. The presence of formal structures says little about their implementation.

The following chapter presents Unilever's efforts to transfer its model of MD to Severnoye Siyaniye ZAO, its Russian subsidiary.



---

---

# CHAPTER 7: *Transfer of MD*

## *practices within MNCs: Unilever PLC*

---

---

### 7.1 Introduction

This chapter, the second case study of British-based multinational companies conducted in the research, aims to present and analyse Unilever's transfer of its MD model to its Russian subsidiary. Its structure is similar to the previous chapter. The first sections are based on secondary data as well as interviews with two managers at the company headquarters. These managers were the UK national HR manager and the regional MD manager. Details of the interviewees in Unilever subsidiaries are presented in the relevant sections. The chapter ends with an analysis of findings and issues highlighted in both case studies.

### 7.2 Unilever PLC (Unilever N.V.)

Unilever is one of the largest and most successful consumer goods businesses in the world. In 1997 it employed nearly 270,000 employees in 88 countries, and its turnover exceeded £29 billion (*Unilever PLC*, 1997). Brand-name foods, drinks, and personal products such as soap and detergents constitute the majority of its business. The food and consumer products giant has two parent companies: Unilever PLC, based in the UK, and Unilever N.V., based in the Netherlands.

William Lever, the founder of Lever Brothers, established his first soap factory as a branch of the family grocery business in 1885. Within a short time Lever was selling his soap throughout the UK as well as in Europe, North America, Australia and South Africa. In 1914 the British government asked William Lever to start producing margarine when the German Navy began to threaten food imports to Britain. Since

that producing margarine required similar raw materials to soap production - oils and fats - the new activity was easily accommodated (Wilson, 1970).

In 1920, two Dutch companies, Van den Berghs and Jurgens, joined with another margarine manufacturer, Schicht in Bohemia. Through the middle and late 1920s, the oil and fat trades continued to grow, and by 1927 these three companies had developed into Margarine Union Limited, a group of Dutch firms with interests in England, and Margarine Unie N.V., located in Holland. Although the activities of Margarine Unie and Margarine Union Limited were focused on edible fats, the companies had also had interests in soap for a number of years. Similarly, although Lever Brothers had produced margarine since World War I, its focus was soap. The companies merged on September 2, 1929.

The end result of the merger was a company – Unilever - that bought and processed more than a third of the world's commercial oils and fats and traded more products in more places than any other company in the world (*International Directory of Company Histories*). Its manufacturing activities included detergents and toilet preparations, margarine and edible fats, food products and oil milling. In 1937 the assets of the two groups were redistributed so that they would be nearly equal in volume and profits, as had always been the objective of the two parent companies.

### **7.3 Unilever PLC within British national business system**

This section describes the pattern of development of one of Unilever's parent companies, Lever Brothers, a British-based holding company, by considering it within its national business system. It argues that the MD model adopted by Unilever has been shaped by its organisational history, business environment, and the influence of the national business system at home. However, while MD practices were structured by national business systems to some degree, the perception and use of MD in Unilever were also shaped by the organisational context. The focus on the British side of the company is deemed important, given its influence on the overall development of Unilever (Wilson, 1970; Bartlett and Ghoshal, 1989).



Table 7.1 below shows the implications of development of the company within its national business environment on management practices and the MD model adopted by Unilever. The analysis of secondary data (academic literature and company secondary data) plus interviews in the company headquarters are presented. This analysis is done using the framework developed in Chapter 3 (Figure 3.1 and Figure 3.2). The following sections analyse the influence of each factor and the company MD model and describe the model itself.

Table 7.1 Development of Unilever PLC within British national business system and the implications of this process on the company MD model

Factors determining organisational context	Management practices as defined by features of the organisational context	MD model
<i>Administrative heritage</i> Early internationalisation resulted in localisation of products and marketing approaches Development by mergers and acquisitions Quaker origin of founders Family business  <i>Business environment</i> Concentrated mass producers International rather than local producers Business strategy as defined by later developments in business (convergence of differentiated markets; concentration of food retailing; innovation and fast development of technology) Diversification	<i>Organisational culture</i> Teambuilding and team-working philosophy Local units' managerial autonomy – independent operating units  <i>Management systems</i> Local recruitment Use of expatriate managers for control and management of overseas locations (initially members of the family or trusted managers) Emphasis on personal relationships rather than formal structures and systems; financial controls rather than close co-ordination of operations Co-ordination of management development activities from the HQ  <i>Technology</i> Later developments in the industrial sector called for consolidation of operations and more centralisation of management	<i>Focus on development of organisational capabilities and strategies</i> Dominant processes include recruitment, development and acculturation of decision-makers Focus on potential  <i>Bases of responsibility</i> Development – shared responsibility of the individual and the company  <i>Co-ordination mechanisms and degree of centralised co-ordination</i> Centralised co-ordination of human resource planning process Development of potential is strictly monitored by the HQ Extensive use of expatriate managers to promote practices  <i>Formal structures and informal processes</i> MD is based on “job classes” system Use of competencies for identification and development of potential Development of high potential through extensive international training and expatriation Complicated system of training, including local, regional and international training Importance attached to informal networks for development purposes

Table 7.1 shows that the MD model and MD practices in Unilever have been structured by the company's organisational and national contexts. The following section discusses the influence of the key factors that shaped the organisational context, and therefore had the strongest influence on management and MD in the company.

### **7.3.1 The business environment and the influence of the industrial sector**

#### ***7.3.1.1 Key features of British food produces***

As mentioned above, Unilever has interests in different segments of the FMCG sector, although the food industry constitutes its largest core business. Key features of the British food sector and British food firms were described in the previous chapter, where the development of the chocolate industry in Britain is discussed in relation to Cadbury Schweppes PLC. According to Smith et al. (1990), all large British food firms share similar features, such as being international rather than local. Thus, for example, in the UK, the frozen food sector is dominated by three companies – Unilever, Hanson Trust and Nestlé, controlling over 50 per cent between them. In Europe Unilever is also one of the three dominant food producers (Maljers, 1992). Equally, according to Hannah (1983), soap manufacturers were among the first mass producers in Britain. The influence of these features on management practices adopted by such manufacturers was discussed in the previous chapter.

Like Cadburys, Unilever started pursuing overseas markets at the beginning of the twentieth century, and the company's first overseas moves were to the ready-made markets of the British Empire. However, when it began its international thrust, the company was not yet mature enough to have a strong suite of internationally-oriented policies and practices, as compared with a later starter like the US company Proctor & Gamble, which would replicate its home systems and practices within all its subsidiaries (Bartlett and Ghoshal, 1989). The company chose the strategy of adapting its products and marketing approaches on a country-by-country basis. Furthermore, the growing sophistication of local competitors and the rising trade



barriers of the late 1920s and 1930s forced Unilever to replace much of its huge export business with locally manufactured products.

This strategy resulted in increased operating independence, which in turn reinforced local units' managerial autonomy and influenced the organisational structure and management practices adopted. The company represented a decentralised organisation of self-sufficient subsidiaries, and management philosophy was built around independent operating units whose managers were given maximum responsibility and freedom. Starting from the beginning of the 1930s, Unilever began to fill management and technical positions with citizens from the host country, rather than expatriates. The role of the board was to approve plans and budgets, control capital expenditure, and appoint and train executives. At an operational level, local managers had great latitude to develop and implement strategies that reflected the opportunities and constraints of their particular environments (Maljers, 1992). However, later changes in the marketplace encouraged Unilever to impose more strategic control over its national companies.

#### **7.3.1.2     *Business development***

In the demanding international environment of the 1980s Unilever was obliged to make some changes in order to strengthen its central corporate functions. Changes in the industry caused highly differentiated markets to converge during the late 1970s and early 1980s. As mentioned in Chapter 6, since the mid-1970s, the food industry had become increasingly consumer-driven, making expertise in marketing and brand management a company's prime source of competitive advantage. Another challenge was the ongoing concentration of power in food retailing. Therefore, according to the *Financial Times* (14.03.96), in order to keep profits growing, companies needed to respond rapidly to opportunities in emerging markets and new business areas. In mature markets and products, they needed to win back consumers who might be turning to supermarkets' own-label products. Furthermore, in the long run, profitability depended on the successful development of new products.

Rapid innovation in turn required entrepreneurial executives, investment, the adoption and application of new technology and consumer research, as well as a

flexible management system to co-ordinate these resources across markets. Development of the Common Market in Europe and the subsequent elimination of many tariff restrictions gave Unilever an opportunity to consolidate its operations and concentrate production in countries with lower labour costs. Furthermore, in the 1980s Unilever undertook a massive restructuring of the business. Breaking the tradition of vertically integrated companies established by William Lever, the company sold most of its service and ancillary businesses, such as transport, packaging, advertising, and other services that were readily available on the market, and went on a buying spree involving some 80 companies between 1984 and 1988.

As at Cadbury Schweppes, the process of restructuring was designed to concentrate Unilever on its core businesses, namely detergents, foods, toiletries, and speciality chemicals (*Economist*, 06.01.1996). Thus, for example, the acquisition of Chesebrough-Pond's in the US in 1986 allowed Unilever to fill out its international personal products business. In 1989 Unilever became a major player in the world's perfume and cosmetic industry through three more acquisitions: Shering-Plough's in Europe, Calvin Klein Inc. and Fabergé Inc. in the USA. At the same time Unilever actively pursued emergent markets, such as the newly opened markets of the former Soviet Union. This line of development has not stopped yet: the process of acquisitions and disposals is on-going.

This pattern of development had implications for the company's organisational structure. Unilever had always tried to operate with a largely decentralised structure. Though, as described earlier, the company represented a loosely-linked network of highly autonomous national subsidiaries, rather than an integrated business, at the same time Unilever's control and reporting systems had always been characterised by high degree of complexity. From the very first days of the merger in 1929, company operations were co-ordinated by two co-chairmen and a complex committee system. Unilever is considered to be one of the main MNCs to retaining centralised strategic decision making (Pollert, 1993; Marginson and Sisson, 1994).

At the time of the fieldwork, the company was in the process of introducing its new organisational structure. The top management system in the company has become the following. The chairs of Unilever N.V. (Netherlands) and Unilever PLC (UK) are the principal executive officers of Unilever. They lead the seven-member Executive



Committee - the top decision-making body, responsible for corporate strategic leadership, targeting markets and businesses for development and allocating resources to them. Other members of the Executive Committee are the category directors for foods and for home and personal care, the strategy and technology director, the financial director and the personnel director.

The core building-blocks in the Unilever organisation remain the individual companies operating in their particular markets. These are organised into 12 business groups, each with a president as chief executive who is accountable, with full profit responsibility, for the operational companies within his group. The grouping is essentially based on geographical markets. In the majority of regions, all Unilever companies form one business group. However, some regional operations, for example those in Europe and North America, are organised into two or three groups, each focusing on specific product areas. On the other hand, the Diversey Lever business group, which covers Unilever's operations in industrial cleaning and hygiene, is organised globally. The Executive Committee convenes with the 12 business group presidents within the executive council, which is led by the chairs. This new structure was designed to separate strategic leadership from business execution, and to promote a teamwork philosophy derived from that of the company's founders.

### **7.3.2 Administrative heritage**

As shown in Table 7.1, the management philosophy of Unilever was also shaped by the pattern of its historical development. As was the case with Cadbury Schweppes, Unilever derived its culture from the strong and enduring values of its founders, who were also Quakers. Until World War II the company's management processes were dominated by "family capitalism". According to Chandler (1962, 1980b), "family management" emphasised personal relationships more than formal structures and systems, and relied more on broad-gauged financial controls than on close co-ordination of technical or operational details.

These cultural influences have also contributed to the development of a particular organisational structure and influenced management philosophy and style. According

to Bartlett and Ghoshal (1989), such cultural influences were very evident in Lever Brothers and later Unilever, where the important overseas operations were managed by an inner circle of trusted managers who reported directly to William Lever. The company treated its overseas businesses more as a portfolio of independent investments than an integrated worldwide business. A strong corporate norm resulted: the task of the centre in managing its overseas companies was to make sure that an adequate managerial cadre was being developed, rather than to scrutinise and control operations management in subsidiaries closely (Bartlett and Ghoshal, 1989). This has resulted in the adoption of a particular model of MD.

The main conclusion from this section is that the approach to MD adopted by Unilever has been shaped by many factors related to the pattern of development of the company and its internal organisational context. The company's structure, philosophy and management organisation have had an enormous influence on its views on how managers should be developed. The following section describes the model of MD in Unilever. The description uses features of MD models identified in Chapter 3 (Figure 3.2)

## **7.4 MD model in Unilever PLC**

The MD model in Unilever is a combination of structural formality and managerial flexibility. The way Unilever operates is based on informal co-operation among self-sufficient units, namely the operating companies located world-wide. The company's belief in the importance of understanding local consumers' needs and developing relevant products for them, requires national operations. On the other hand, the company has a strong corporate culture. Therefore, as shown in Table 7.1, the focus of MD activities is on an early identification of high potential, with the aim of further development through international experience.

Developments in the direction of increasingly global organisations also had a tremendous impact on MD in the company. With the introduction of the new structure, Unilever started assigning responsibility to national companies within more clearly defined global policies and strategies. For example, the company began using competencies for the identification of potential, and these competencies,



discussed in more detail below, were employed world-wide, thus providing some degree of homogenisation in the selection of high-potential managers.

#### **7.4.1 Co-ordination mechanisms and the degree of centralised co-ordination of MD activities**

Table 7.1 shows that the dominant co-ordination process relies on the careful recruitment, development, and acculturation of decision-makers, and the major means of co-ordination include top management's control over investments, the annual operating plan and the company's human resource planning process.

In 1996, when the first round of fieldwork was being undertaken, Unilever's Central and Eastern Europe operations were co-ordinated by the regional management group. The Central and Eastern Europe group included businesses in the Czech Republic, Hungary, Poland, Romania and Russia. Overall, in 1996 it comprised 16 different factory sites employing 7000 staff with 470 managers, of whom 100 were expatriates. Usually, the first stage of development of business in a country was the establishment of an export office. Once the business had matured (as it had in all countries in the group being studied), local personnel departments and senior personnel management were introduced. With the exception of Poland, all personnel directors in the countries belonging to the region were expatriates in 1996.

Central product co-ordination in the region received very strong support from the centre. The food business in the region was co-ordinated from Rotterdam, and the detergents business was co-ordinated from London. In the head office in London, there was a manager assigned to provide full HR services to all countries in the group. The main role of the centre was to share best practice. This included helping the businesses through the provision of expatriate resources, and supervising the development of local managers with high potential. Further, the centre also played a control and monitoring role. All the countries were given guidelines to channel their activities. Thus, there was a clear policy about identification and development of potential and all countries were set targets in order to achieve this, and, as a part of the annual process called Strategic Personnel Planning, each country had to present their strategy to the centre, including HR plans for the following year. Also, head

office set targets for each country concerning the proportion of their staff who were to receive international development. These policies allowed for the indirect influence and control of processes in any Unilever subsidiary. Thus, for example, recruitment was seen as purely a national issue; the way it was managed, however, was in accordance with overall Unilever recruitment policies.

Unilever management, as highlighted in Table 7.1, also relies heavily on company expatriates to transfer knowledge and to develop operations abroad. The company views expatriate transfers as the glue that helps to bind its diverse operations together, by cascading Unilever values. The key criteria for selecting expatriate managers include overseas experience and good knowledge of Unilever policies and practices, cultural sensitivity and ability to disseminate and provide coaching to the locals. An expatriate appointment, however, does not automatically imply career progression. The company considers expatriate management more as a vehicle for disseminating knowledge and skills rather than as a part of the MD process: the majority of expatriate managers going to countries in Central and Eastern Europe are in the final stage of their careers.

#### **7.4.2 Formal structures and informal processes in MD**

The importance of linking decentralised units through a common corporate culture has resulted in the approach to MD being focused on two related practices: the recruitment and training of high-quality managers. MD in Unilever is based on a “job classes” system, and on an early identification and development of potential.

Table 7.1 shows that management recruitment in Unilever is aimed at bringing in potential. Thus, in the UK it is done centrally, and focuses on recruiting fast-track trainees. In the UK Unilever does not recruit straight into managerial positions, and the company uses advanced methods to recruit the best university graduates, including visits to universities and prizes for work done by young scientists. Unilever also sponsors an extensive programme of business courses for university students in many countries. Every candidate who survives this initial screening is then reviewed by a panel of senior managers, which often includes board members from the parent company. For international careers in Unilever they look for people who can work in



teams and understand the value of co-operation and consensus. However, depending on the stage of development of its business in a given country, Unilever might recruit straight into managerial positions, as is the case in Russia.

Unilever's system of "job classes" indicates the level of the individual within the organisational hierarchy, as well as the basis for determining his or her training. Thus, for example, general management training at regional and international levels starts when the individual has reached the first management job class and salary level. From top to bottom in the organisation there are more than 30 classes, and the management job classes start from job class 20.

As shown in Table 7.1, one generic MD process is the identification of managerial potential. At the time of the first round of fieldwork, Unilever maintained four development lists that reflected both the level of the manager and his or her potential. Thus, List A comprised managers in job class 30 and above; List B, senior managers who had reached job classes 27-29; List C, managers who were considered to have the potential to fill positions at job class 27 and above within five years; and finally List D, managers who were in job classes 20-23, and who were considered to have the potential to fill positions in job classes 24-26 within five years. Managers in these lists were called "listers".

Traditionally the mechanism for identification of "listers" has been based on "management judgement supported by evidence". However, recently Unilever has started using competencies for the identification of managerial potential. More senior nominations usually have to be confirmed with the head offices either in London or Rotterdam. The nomination of D-listers and C-listers is the responsibility of subsidiaries.

Development of "listers" was closely monitored (through full appraisal reports). The progress of managers on the most select A list was tracked by the company's special committee (the two company chairs and the vice-chairman) with the help of the corporate personnel division. Regional groups were responsible for following the B, C, and D lists of managers. Operating units reported on qualifications, performance and potential of all their managerial staff, and issues such as relevant training and experience and possible next jobs were reviewed annually at personnel planning

meetings between national company chairs, the national personnel director and the regional MD manager.

Table 7.1 shows that different programmes were developed in Unilever to address training requirements at all levels, most importantly "on-the-job", where training was linked to the operations of the business. Other important training needs were addressed at company or national level. Unilever organised centrally a series of formal training courses, provided either on a regional or international basis. Formal training was usually Unilever-based, mostly using internal tailor-made programmes. Thus, for example, the use of external MBA qualifications was very rare. Central courses addressed the training needs of "listers" and also senior managers. Some of these courses provided general management training, while others were designed to raise the level of competence in different functions. Functional training was also provided by a range of so-called awareness programmes, which aimed to acquaint managers in a given function with the key concepts and issues facing other functions. Different workshops to provide intensive skills training were also run centrally.

International seminars and courses were run at Four Acres, Unilever's international management training college near London, which was opened in 1955. Every year 300-400 managers from all over the world attend this international training ground. General courses, such as, for example, the international management seminar and the senior management course are taught by visiting professors from well-known business schools, with Unilever instructors participating occasionally.

Regional training programmes in Central and Eastern Europe were developed for different audiences. Thus, for graduates in this region, as a response to their particular training and development needs, a special programme, called Central European University, the design of which was also co-ordinated centrally, was set up. 300 graduates were on the programme in 1996. Another foundation programme, which was also aimed at graduates with one -year's business experience, was called the Business Principle Course (BPC). It comprised three modules and a number of projects. Though this programme did not give any formal qualification, progress through it was registered in internal Unilever records, because it indicated managerial potential. There were also a series of different functional courses aiming to equip managers with relevant professional skills. The programmes were run with



the active participation of managers from the centre, which assumed not only programme co-ordination, but also actual involvement of these managers in discussions at seminars. It was expected that the countries, over time, would develop a capacity to manage these programmes themselves.

As shown in Table 7.1, apart from providing a formal learning experience, training in Unilver aimed to create informal networks on the basis of shared experience, which was considered of particular importance, given an extremely diverse group of international managers. For these purposes, Unilever also used short-term and long-term job assignments for international managers in corporate offices or subsidiaries, as well as conferences. These conferences were used to make major announcements to a large group of senior managers.

Finally, the development of its international managerial cadre was closely monitored by the head offices. Unilever had a clear policy of rotating managers through various jobs, particularly in the early years of their careers. This aimed to provide a structured approach to the development of general management skills, and would also provide international experience at key stages of career development. An individual who showed potential and continuing high performance could expect to rotate through various functions, product groups, and geographic areas every two to three years. Development of an international managerial cadre in Unilever assumed the nurturing of local talent in subsidiaries, and required that managers gain experience in more than one country or product line.

The key features of Unilever's approach to MD have now been outlined. The following section gives an example of the way MD is performed in a British subsidiary of Unilever.

### **7.5 Birds Eye Wall's Ltd as an example of the Unilever model of MD**

This section presents the approach to MD adopted by Birds Eye Wall's Ltd. The evidence for this case study is drawn primarily from interviews with managers at the company's Gloucester site. These interviews were with the personnel manager, the

training manager, the chief engineer, the technical manager, the employee relations manager, and the operations manager for the Phoenix Factory. The section starts with some brief background information about the company, and then discusses management and MD practices adopted by the British subsidiary of Unilever. The particular influence of organisational context on the perception and use of MD is highlighted by comparing MD practices on the site with “ideal-type” British MD practices.

### **7.5.1 History of the company**

Birds Eye Wall's Ltd is involved in the manufacture and sale of frozen foods and ice cream products. Clarence Birdseye is acknowledged to have been the founder of the frozen foods industry. He was an American biologist who pioneered the quick-freezing process and developed its commercial potential in the early part of the twentieth century. The name Birds Eye (with a new spelling) became the leading frozen food brand in the UK when the market developed there in the 1960s.

Wall's traces its beginnings to 1786 when Richard Wall was apprenticed to a meat and pie business in St. James's market in central London. By the late 1800s the Wall's name was well established in London. Business became diversified when the manufacture of ice cream was put into operation after World War I. In 1921 the long-established Wall's business became linked with Lever Brothers, which subsequently became Unilever in 1929.

Birds Eye foods and Wall's Ice Cream were two separate companies under Unilever, both reporting to a divisional director. In 1981 however, they were merged to become Birds Eye Wall's Ltd. Following the merger the company underwent a rationalisation process which resulted in an altered management structure.

### **7.5.2 Structure of Birds Eye Wall's Ltd**

At the time of the fieldwork, the head office of Birds Eye Wall's Ltd was at Walton-on-Thames. At the head of the company hierarchy was the board of directors. The



chairman of the board of directors had executive responsibility for the profitability and operations of the company and reported to a Unilever director in Rotterdam responsible for frozen foods and ice cream.

Birds Eye Wall's Ltd had three sites, which operated as business units. The sole UK ice cream site was in Gloucester. There was a frozen foods factory in East Anglia which produced meats - chicken meat, red meat, etc. - and there were two frozen foods factories in Humberside which produced fish products, meat products and vegetable products. In 1996, the business employed 5,500 people. Though there was a variation in structure between these sites at the organisation and manufacturing levels, the general structure of the company was the same in each factory.

At the head of the Gloucester factory site was the steering committee, led by the site general manager. This committee was responsible for the profitability of the site, answering to the board of directors. The steering committee comprised the site general manager, the operations manager for the Phoenix Factory, the operations manager for the Cotswold Factory, the site chief engineer, the technical manager, the manufacturing improvements manager, the manufacturing services manager (who operated as a factory manager for the third factory), the site commercial manager, the logistics manager, the site personnel manager and the site quality manager. In terms of structure the Gloucester site was slightly different to other sites since it had head office functions, such as corporate accounts, a sales function and a distribution function. In 1996 the business employed 1500 people, the majority of whom were factory operators. There were about 100 managers working on the site, 24 of which were Unilever managers (i.e. holding a contract with Unilever), and about 80 line managers, who had a contract with Birds Eye Wall's Ltd and were permanently based in Gloucester.

In 1996 the site had a central personnel function, which offered a service to all the other functions, and all of the factories. However, the company was considering the allocating personnel staff to other factories. There were 21 people in the personnel department at the Gloucester site, five of which were managers, including the personnel manager, who was entirely responsible for the HR on the site, including manpower planning, training and development, MD, selection and recruitment, employee relations, health and safety and communications.

#### **7.5.2.1 Gloucester site**

The Gloucester factory site is involved in the manufacture of ice cream and frozen desserts. The company produces well-known brands including Blue Ribbon, Gino Ginelli, Magnum and Romantica. According to the company booklet *Birds Eye Wall's* (1996), the Gloucester site is also recognised by Unilever as one of only four principle factories for the manufacture of ice cream in Europe. A factory was opened in Gloucester after World War II. The Wall's Gloucester site was originally chosen because of its flexible and skilled local workforce, its proximity to rail links and the expanding motorway network. Currently there are three factories on the site: Phoenix, Cotswold, and the Wafer and Cone factory.

One of the factors in the success of the ice cream and frozen desserts portfolio is the constant arrival of more products on the market. As part of the food sector, there are precise specifications and hygiene requirements which must be adhered to. In the premium market in particular, quality is a key issue, and most consumers choose a manufacturer's brand rather than a retailer's. These sector-specific issues, as well as changes in the business environment, such as the emergence of the single European market and increased competitive, commercial and environmental pressures, have all shaped the manufacturing strategy and management practices of the Birds Eye Wall's site in Gloucester. The two factories - the Phoenix factory and the Cotswold factory - underwent a process of modernisation in the 1980s in order to meet the demands of an increasingly sophisticated marketplace. Together with upgrading manufacturing facilities on the site, a new management practice - total productive maintenance (TPM) - was introduced.

#### **7.5.3 The introduction of TPM**

TPM on the site started with the introduction of team working practices. Owing to the necessity of maintaining an investment programme to develop new products, processes and technologies, the involvement of all employees in quality assurance and the company's improvement programme became crucial. The approach adopted by the factory to develop its employees was based on the culture of teamwork at



every level. This culture was introduced along with the company restructuring which followed the merger of Birds Eye foods and Wall's in 1981.

The initiatives laid down by Birds Eye Wall's Ltd for restructuring the business started in 1983. Actual implementation was developed at site level. Different sites in the company were relatively independent, and within a framework of general strategic direction, tactical plans for implementation varied. Thus, changes at Gloucester involved the introduction of teamwork and the establishment of a new organisational structure at the manufacturing level. The responsibility for managing operations was separated from the responsibility for managing people, with the introduction of unit manufacturing managers. Now on three shifts, operations managers were responsible for shift operations, while unit manufacturing managers (who had a number of teams reporting to them) became totally responsible for personnel and the production line(s). Personnel on the shop floor were involved in intensive multiple-skills training, and engineering personnel were integrated into the established teams.

A special training and development programme, with the use of team facilitators, was developed to support these changes and to encourage the adoption of a new work style. At the same time, team structures were implemented and a teamwork audit system was introduced. The introduction of the system also assumed changes in the role of managers, who now became responsible for team and individual development as well as managing continuous improvement activities.

**7.6 Birds Eye Wall's Ltd as an example of the Unilever MD practices, compared with the "ideal-type" British MD practices**

Table 7.2 on the following page compares MD practices adopted in the British subsidiary of Unilever with "ideal-type" British MD practices identified in Chapter 5. This comparison highlights the influence of the cultural context of the organisation on the perception and use of MD practices in the company.

The most striking observation was that MD processes on the site were co-ordinated and structured. This differs from MD processes one might usually expect to find in British companies (Chapter 5).

Table 7.2 Unilever MD practices as example of Birds Eye Wall’s Ltd compared with “ideal-type” British MD practices

Management Development practices in UK	Unilever MD practices as example of Birds Eye Wall’s Ltd.
<i>Recruitment</i> Reliance on external labour markets for recruitment High inter-firm mobility of managers  <i>Training and development</i> Little or no central co-ordination of training activities Focus on development of general management skills Stratification of skill-based groups  <i>Career management</i> Career progression is mostly via inter-organisational /inter-sectoral moves Individual responsibility for career progression  <i>Rewards and appraisal</i> Rewards are tied to short-term performance (predominantly financial) measures Status-wage differentiation based on job classification	<i>Recruitment</i> Reliance on internal labour market for managerial recruitment Graduate recruitment Focus on early identification of potential  <i>Training and development</i> Co-ordination of training for potential Formalised system of training based on job classes Focus on development of general management skills  <i>Career management</i> Internal career progression Shared responsibility for development  <i>Rewards and appraisal</i> Rewards are tied to short-term performance (predominantly financial) measures Status-wage differentiation based on job classification

7.6.1 MD process and co-ordination of MD activities on the site

Co-ordination of the MD of Unilever managers on the site, together with their training, was handled centrally by Unilever itself. At Gloucester, the centre also controlled the salary progression and MD of these managers. The MD for assistant managers (who had contacts with Birds Eye Wall’s Ltd) was the responsibility of the site HR function.

The process of MD on the site was structured. Once every quarter, there was an organisation development review at steering group level, where different issues relating to the development of the organisation were discussed, such as manpower and succession planning, and the implementation of the manufacturing team work strategy. In some cases, a special team was set up to deal with particular issues. A



more broad-ranging view of MD was carried out at company level, at twice-yearly MD reviews. At these meetings the site general manager, the site personnel manager, the operations director and the personnel director reviewed the whole process of MD in Birds Eye Wall's Ltd and discussed every individual manager or trainee (job class 20 and above), in terms of his or her performance, potential and career perspective and development. The foundation of the process consisted of individual performance appraisal reviews and personal development plans.

### **7.6.2 MD practices on the site as compared with “ideal-type” British MD practices**

The following sections present key features of the MD practices which were adopted on the site and discuss similarities and differences between these and the “ideal-type” British MD practices (Table 7.2) described in Chapter 5.

#### **7.6.2.1 *Recruitment***

Managerial recruitment on the site was limited. Unilever managers were recruited centrally as described in the previous sections. For the recruitment and selection of assistant managers, techniques such as selection boards and assessment centres were used. Although the use of these tools is “typically” British (as shown in Table 7.2), there was a difference in the reliance on the internal labour market for managerial recruitment needs. The managers interviewed had spent most of their professional life in one company, Unilever.

#### **7.6.2.2 *Training***

Table 7.2 highlights that the approach to training in the company differed from the “ideal-type” British approach described in Chapter 5. First, training was given high priority in the company - the factory's commitment to development was recognised by two national training awards and the “Investor in People” standard; secondly, training activities at Gloucester were highly co-ordinated. The training department at

Gloucester was responsible for the organisation of in-house training, while training for Unilever managers was mostly organised centrally by the head office at Walton-on-Thames. The training manager was responsible for the circulation of information about available training as well as for liaising between the individual manager and the head office when there was a specific request for training.

All training was organised in accordance with the training plan, which specified the amount of money allocated for different departments, as well as the expected days required per person. The training plan itself was developed on the basis of discussions between the training manager and members of the steering committee. These discussions aimed at identifying training needs and establishing training priorities. It was the responsibility of executives to identify training needs in their departments on the basis of discussions with subordinates prior to these meetings. Finally, there was a meeting of all the executives, during which the training plan for the whole year was discussed and agreed. At Gloucester there was a special group (consisting of managers and staff from the shop floor) who had a remit to monitor the implementation of the training plan. Furthermore, in order to monitor training activities in the company, follow-ups were encouraged. Thus, managers were required to provide an immediate feedback on the course. Further, line managers were instructed to meet with their subordinates following the training event in order to discuss what had been learnt and ways of implementing new knowledge in their work.

However, one similarity with the “ideal-type” British training practice, as shown in Table 7.2, was in the focus of training being more on general management, even though functional aspects were included. The managers interviewed also valued on-the-job training and, particularly, coaching.

### **7.6.2.3      *Career management***

Two key elements in career management at Gloucester included its focus on early identification and development of potential and a structured approach to career progression. The career paths in the company were based on the Unilever system of job classes.



Furthermore, as Table 7.2 shows, career development was mostly driven by the company: though requests of individual managers were taken into account, managers could initiate the process only to a certain extent. Once every quarter, there was an organisational development review meeting to discuss each individual manager in terms of his or her potential and possible career moves. Vacancies were considered either in a manager's own department or cross-functionally. At company MD review meetings similar issues to those mentioned above were discussed. However, at that level a more overall view was taken. Expatriate positions were also considered at these meetings.

#### ***7.6.2.4 Appraisal and personal development planning***

As shown in Table 7.2, the Gloucester site adopted a reward system based on short-term performance measures. Once a year every manager at Gloucester was given a performance appraisal and development review at which the achievement of his or her work objectives and bonus targets were reviewed. On the basis of this review every manager was given a performance rating that influenced salary progression. Achievement of bonus targets brought an additional financial reward.

The second part of the appraisal review meeting was a discussion on personal development issues, career perspectives (managerial potential was also identified during these review meetings), training and initial objectives for the coming year. This discussion formed the basis for a personal development plan – an action plan for further training and development.

The process of appraisal was co-ordinated by the site personnel manager. The information that came from performance appraisal reviews was used to monitor overall performance on the site as well as organisational development. This was the basis of all company MD. Manpower and succession planning, salary progression and promotions were also based on this information. According to the managers interviewed, the focus of the appraisal had changed in recent years, moving away from performance grading towards training and development. Also, though the company guidelines recommended appraisal reviews, the interviewees maintained

that usually appraisal discussions were more informal and structured only to the extent that managers had to fill an appraisal form.

As highlighted by the discussion in this section, the MD system adopted by a British subsidiary of Unilever has some similarities with “ideal-type” British MD system described in Chapter 5. The differences highlighted are due to the influence of the history of the company as well as its business environment. These differences include a more integrated approach to MD practices, focus on longer-term development, and finally central co-ordination of key processes in MD. The following section focuses on the transfer of MD to a Russian subsidiary of Unilever.

## **7.7 Transfer of the Unilever model of MD to Severnoye Siyaniye ZAO**

Severnoye Siyaniye ZAO is a Russian subsidiary of Unilever. This section describes the way the subsidiary was developed, starting from the initial investment in 1992 through to January 1997, when the initial fieldwork took place, with the ultimate aim of presenting and explaining the system of MD in the company. In 1997 the firm was still undergoing considerable changes, given its recent acquisitions in Russia, which were triggering changes in the subsidiary’s organisational structure. At the same time, there were new approaches to MD adopted by the parent company, such as, for example, the introduction of Unilever competencies mentioned above. Thus, this section presents the system of MD in Severnoye Siyaniye ZAO as it stood in January 1997. The evidence for this case study was drawn from 18 interviews with managers from all functions, both at head office and on the production site.

### **7.7.1 Initial investment and development of the subsidiary**

The first Russian subsidiary of Unilever, UniRus, was established in 1992 with the opening of sales offices in two Russian cities - Moscow and St Petersburg. This allowed Unilever to market-test and launch a number of products new to the Russian market, including Lux toilet soap, Impulse deodorants, Pond’s skin creams, Denim aftershave and Lipton Yellow Label tea.



Following the successful development of its business operations in Russia, in February 1994, Unilever's UK branch purchased approximately 90 per cent of the shares in the St. Petersburg-based company Severnoye Siyaniye, a leading producer of lotions, aftershaves and colour cosmetics. Unilever estimated its initial investment for refurbishing production facilities and further developing the business at US\$ 10 million (*Unilever magazine*, 1995).

Severnoye Siyaniye was one of the oldest and biggest producers of perfumery and colour cosmetics in Russia. At the time of the purchase, the business employed 1,000 staff. The company had two production sites, the oldest dating from 1861. Its new factory site was built in 1980, and had four production lines. The range produced by both factories in 1994 comprised 150 different personal care products and perfumery. Given the old Soviet tradition of production organisation based on the "in-house" logic described in Chapter 5, the company represented a highly integrated production site. Apart from production facilities, it maintained its own transport department, and produced its own packaging material.

Following acquisition, Unilever introduced the practice of outsourcing, and this was implemented in respect of a number of services. Furthermore, the older site was closed down, and all production was concentrated in the newer factory. The product range was also altered. Thus, colour cosmetics were no longer produced, but the first production line under Unilever design, opened in 1995, started by manufacturing shampoo. Shortly after that, production of Denim aftershaves was launched. The company continued with some local products on account of their popularity. In 1996 the factory manufactured 37 different products, and expected to increase the product range to 80 lines.

Being a subsidiary of Unilever, Severnoye Siyaniye marketed many different Unilever products, not just those produced in Russia. Similarly to Cadbury Schweppes, Unilever saw the key challenge for future growth in Russia as lying in developing its own distribution chain.

### **7.7.2 Organisational structure and the HR function**

Following the purchase of the factory in St. Petersburg, the head office of UniRus moved from Moscow to St. Petersburg in the same year, 1994. In July 1995, the subsidiary's name was changed from UniRus to Severnoye Siyaniye to show that the factory was fully integrated into the organisational structure of the company, as well as following Unilever's long-established tradition of giving local names to its subsidiaries.

The organisational structure of the company in January 1997 was as follows. At the top of the company was the management committee board, headed by the chairman. Both head office and the factory were located in St. Petersburg. In addition to the sales office in Moscow, by December 1996 the company had 42 sales offices throughout Russia. In January 1997, there were 70-80 managers working for Severnoye Siyaniye.

In 1996, another company from Unilever group - Van den Berghs – opened its subsidiary in Russia with a head office in Moscow and a sales office in St. Petersburg. This company was involved in negotiations with a local margarine producer in Moscow, with the aim of securing a future acquisition. The HR function of this new company was performed by the HR department of Severnoye Siyaniye.

The HR function was headed by the national personnel director. Three managers reported to him, and the work of the function was supported by a number of clerical staff. The national personnel director was an expatriate position, while all other posts in the department were held by local managers. Key responsibilities in the HR function included all major processes, such as managerial recruitment, management training and development, appraisal and remuneration and employee relations, as well as training and employee records.

The following sections analyse the process of transfer of MD practices to Severnoye Siyaniye ZAO. In contrast to Cadbury Confectionery ZAO, by 1997 the company already had an impressive record of MD initiatives, and a system of MD that had been in place for three years. This system involved processes and practices which are described in the following sections. Table 7.3 on the following page summarises key issues related to the introduction and implementation of management and MD



practices in the subsidiary. It highlights the priorities of the transfer defined by the parent company; it also summaries the practices transferred, as well as the transfer mechanisms used. Table 7.3 shows areas of tension and misunderstanding, which were identified by local managers in interviews. Finally, the table outlines factors which either intensified or reduced these problems. The problems themselves were identified during interviews, then analysed against the hypotheses presented in Chapter 5 (Table 5. 4, Diagrams 1 and 2).

### **7.7.3 Focus and priorities in the transfer of management and MD practices as defined by the parent company**

As shown in Table 7.3, when Unilever entered Russia, it brought with it a structured approach to career development and an MD model focused on the early identification of potential.

As stressed by the managers interviewed in Unilever's London head office, as a region Central and Eastern Europe, with its history of socialism, presented some unique problems in terms of MD, and these were much deeper in Russia than elsewhere. In order to address these issues Unilever launched extensive training for everyone in the subsidiary, both in function-specific and general management skills. Furthermore, Unilever stressed that its prime concern in MD in Russia was the development of soft values, such as trust, coaching and empowerment. The aim of the process was to develop a common set of shared values. This would facilitate the introduction of Unilever management practices.

### **7.7.4 Transfer practices used by the parent company**

Table 7.3 shows that the MD system established in Severnoye Siyaniye was the Unilever system of job classes described above. A manager's responsibilities, his or her position within the organisational structure, as well as relevant compensation, were all defined on the basis of this system. Specified requirements for each jobholder aided managerial recruitment and training. The system was focused on the

Table 7.3 Transfer of management and MD practices to Severmoye Siyaniye ZAO (Unilever)

Focus and priorities in the transfer of management and MD practices as defined by the parent company	Ways used by the parent company to transfer practices	Practices transferred	Identified problems and tensions	Factors which intensified misunderstanding
Early identification of potential and structured ways to development potential	Introduction of formal structures to manage human resources	<i>Management practices:</i> New working methods New jobs (e.g. industrial engineer) and new skills requirements Employment contracts	<i>Challenges to traditional MD practices:</i> Preferences attached to formal training by locals Value attributed by locals to development of technical / functional expertise “Old” managers fear their knowledge base will become obsolete with the introduction of new technology, and skills requirements	<i>Mechanisms of transfer:</i> Fast rotation of expatriate managers resulted in inconsistency of practices introduced Diversity of expatriates in their experience, expertise and willingness to develop local managers caused frustration among those who did not receive enough coaching Lack of trust between expatriate managers and the locals - the major source of frustration Lack of explanation of the meaning of the practices transferred
Extensive training for everyone in functional and general management skills	“Unlimited” training budget	<i>MD practices:</i> Job classes system to manage development of high potential Recruitment focused on identification of high potential Training system based on job classes Different forms of training, e.g. coaching, mentoring in addition to formal training Use of competencies for identification and development of potential Performance management system based on appraisal interviews and linked to compensation Target setting Career management system based on job classes	<i>Local labour market:</i> Some adaptation of practices  <i>Not enough explanation given of the practices transferred:</i> Lack of understanding of team-working practice Locals lack of understanding of the systems transferred, e.g. training system Lack of understanding of competencies resulted in their misuse and misinterpretation	<i>Other unexpected circumstances:</i> Time pressure and business environment forced Unilever to deviate from the desired course of action and continue to rely on expatriates rather than pursue fast localisation Rationalisation of training expenditure as outcome of business environment development
Focus on development of “soft” skills	Extensive use of expatriate managers in subsidiary			
“Acculturation” of decision makers (introduction of the “Unilever way of doing things”)			<i>Inconsistency in implementation of the practices transferred:</i> Lack of follow up on training caused frustration Appraisal of achievement of functional objectives – local managers questioned value of developing general management skills Formally-conducted appraisal discussions put off local managers – no influence over the outcome of appraisal	
Localisation				



early identification and development of potential, and all established MD processes and practices were oriented to support this focus.

Training was probably the biggest area of MD activity in the company in terms of time and budgets allocated. According to the training and development manager, every level of management was involved in intensive training, and until the beginning of 1997, Severnoye Siyaniye enjoyed a virtually unlimited training budget. The average number of days spent on formal training was about 10-15 per year, and for some managers the figure was even higher.

As highlighted in Table 7.3, active use of expatriate managers was the vehicle Unilever chose to transfer its systems and practices to its Russian subsidiary. At the time of the fieldwork, all departments in the company, except the production department (which had been handed over to locals at the end of 1996), were headed by expatriates.

Furthermore, Unilever co-ordinated key processes and MD activities in the subsidiary. Some of these mechanisms have already been described above, and examples of the others are presented in the relevant sections below.

### **7.7.5 Practices transferred**

New ownership and production restructuring in the factory triggered changes in work organisation and work content (Table 7.3). New positions appeared, such as, for example, industrial engineer and quality assurance manager, while others were changed in accordance with Unilever standards. Thus, the R&D department, previously called the Laboratory, was no longer responsible for new product development, but was actively involved in the adaptation of Unilever products to Russia, finding possible substitutes for raw materials and improvements for technological processes. The company also made extensive use of subcontracting and outsourcing, eliminating departments such as those responsible for transport and packaging materials. The net effect of all these changes was a reduction in the number of employees, mostly production workers, and the introduction of new

managerial positions. Another important change was the introduction of employment contracts.

Major changes in work organisation were brought about with the introduction of the Unilever teamwork approach. According to the managers interviewed, everyone in the company was part of a team, whether it was a management team or a shop-floor team. The introduction of teams was seen by Unilever as key in fostering its organisational culture and management philosophy in the subsidiary, and this approach was introduced right from the start.

In order to nurture these new ideas in the subsidiary, Unilever transferred its MD practices. However, as indicated in Table 7.3 the process of transfer was accompanied by tension and misunderstanding. Similarly to the Cadbury Schweppes case study, problems arose from contextual influences. The following section discusses areas of misunderstanding. According to the personnel responsible for implementing the new MD and those who were being trained, the problems which accompanied the transfer were primarily due to the following reasons. The practices transferred challenged traditional approaches to MD as well as many other well-established practices. Further, the lack of explanation of the rationale behind the practices being transferred, as well as inconsistency in implementation, resulted in misunderstandings. Furthermore, implementation of the new practices was influenced by the in-company labour market (Table 7.3).

### **7.7.6 Challenges to traditional MD practices**

Particularly evident was the influence of context on such practices as managerial recruitment, training, and career management.

#### **7.7.6.1 *Managerial recruitment***

When Unilever entered Russia in 1992, it had to adapt its approach to recruitment. First of all, the company needed recruitment at different managerial levels. Secondly, Unilever had to look to different sources for recruitment. Recruitment was based



primarily on the use of personal contacts. Initial recruitment in the subsidiary was performed by outside recruitment agencies, based in the West. Unilever managers were actively involved in the process. These managers would either come over from the UK for this purpose, or they would be expatriate managers already working in the subsidiary. Also, the company tried different sources to find potential candidates, including universities and local business schools.

Furthermore, Unilever had to alter its recruitment tools. According to the HR managers interviewed, in Russia the major recruitment tool used by Unilever became interviews. Assessment centres were introduced only when the focus of recruitment moved to graduates.

The result of the recruitment process was a diverse managerial population. The average age of managers in the company varied significantly from function to function. Older managers worked in production, where the average age was 38. These managers had mostly stayed with the company after the acquisition of Severnoye Siyaniye by Unilever. The younger managers – new recruits - were in marketing, sales and finance. Older-generation managers mostly had technical backgrounds. Younger managers' backgrounds were mostly in economics, business studies or finance.

#### **7.7.6.2     *Training***

As shown in Table 7.3, key features of the introduced approach to training were its emphasis on formal training activities, based on the Unilever system of job classes. With the introduction of new technology and new management practices, Unilever pursued two key objectives with its intensive training activities. The first, according to the HR managers interviewed, was to equip managers with the skills and knowledge needed to perform effectively in their existing roles. This prioritised the development of a general base of managerial and professional skills for all managers. The second objective was more long-term, and related to the development of the company's managerial labour market. It concerned the development of managerial potential, addressing career development issues.

In order to achieve these two objectives, Severnaye Siyaniye used a broad range of training events, provided by the parent company to all its subsidiaries internationally and regionally, and also organised local training. With only a few exceptions, such as short-term assignments and secondments in other European Unilever companies, most of the Unilever training available to its Russian subsidiary was in the form of formal training programmes and courses. As discussed earlier in this chapter, this training was mostly directed by the centre, and designed to address the specific training needs of subsidiaries in Central and Eastern Europe. The training was Unilever-specific, and included programmes covering both professional and general management issues. With an almost unlimited training budget allocated initially to the subsidiary, almost every manager in the company was either on regional or international programmes, or both, after one year of working for the company. Some managers from Severnaye Siyaniye took part in several international programmes run at Four Acres. However, as the people undergoing training claimed, production staff were less involved in this kind of training. Apart from a few general management skills courses, local training was mostly job-related and aiming to equip managers with the professional skills required to perform more effectively in their existing roles. This functional training was specific to Russia, including for example seminars about Russian tax regulation or accounting principles, health and safety or product certification requirements.

Furthermore, the introduction of some Unilever-specific jobs which were new to Russia, e.g. industrial engineer, required intensive on-the-job training. Also, according to the HR manager, it was difficult to find local external providers who could run tailor-made general management training, given the specific company requirements and the lack of professional management trainers in Russia. A new form of training was introduced by Unilever – coaching.

Central training was co-ordinated by Unilever. The whole process was structured and clearly defined. In Severnaye Siyaniye, it was the responsibility of the training and recruitment manager to inform the Management Committee Board and the heads of all departments about training opportunities, and to give her recommendations about possible candidates. Then the heads of departments nominated candidates for each programme or course. Information about nominees was collected by the HR department, and on the basis of this, training plans were drawn up. These plans were



produced annually, and were subject to inspection by head office in London. Local training plans were under less control from head office, and the organisation of local training entirely depended on the attitude of the heads of departments to such activities. According to the managers interviewed, both formal training and on-the-job training showed variation, some managers providing very good coaching to their subordinates, while others took more of a “sink or swim” approach. Starting from 1997, the intention was that training should focus on the potential of individual managers.

Although Unilever introduced different forms of training, from on-the-job training to coaching, the managers interviewed – themselves in training - stressed the importance of formal training. As indicated in Table 7.3, they also expressed a preference for functional training. The value of training was closely related to the perceived applicability of the skills and knowledge gained, and functional training was seen as more applicable to their current work. Also, technical competence and work experience were named by the interviewees as key contributors to successful managerial careers. As highlighted in Chapter 5, in Russia the status of managerial authority resides in technical/professional competence, which is associated with technical expertise and skills. Thus, managers thought that deeper knowledge of a particular area would give them more managerial authority and better career prospects. Some managers interviewed argued that, because of the peculiarities of the organisation of work in Russia, general management training often had only marginal applicability to their work.

Furthermore, how training was organised in the subsidiary exacerbated existing tensions between managers who had been recruited recently and those who had stayed on after the acquisition. According to the interviewees, production personnel felt neglected as the majority of them were excluded from training provided by Unilever. Managers who joined the company following the acquisition of the factory usually had a very poor level of English, which was a major obstacle to accessing courses organised outside Russia. Furthermore, supervisors could not benefit from training because their job class was too low to take part in regional programmes.

### **7.7.6.3 Career development**

Career management in Severnoye Siyaniye was aimed at the early identification and development of potential. Thus, career development in the company was only provided to those managers deemed to have the potential to progress. It encompassed two key processes: the identification and development of managers with potential, and succession planning.

The system for the identification of potential was introduced in 1995. As shown in Table 7.3, the potential of the individual was identified on the basis of his or her performance against certain criteria outlined by the Unilever competencies. This was usually done during appraisal meetings. According to the HR managers interviewed, all managers thus identified were considered during the annual review meeting with members of the Management Committee Board in Severnoye Siyaniye, and discussed with the regional MD manager in the Unilever head office in London. Career development included formal training and promotion both inside the company and function, as well as outside Severnoye Siyaniye, through various expatriate positions in other Unilever subsidiaries.

Succession planning was at in the very initial stages of being introduced. If there were plans to train successors in some departments, the interviewees were not aware of them, and the whole process, according to the HR manager, needed more co-ordination in terms of timing and planning activities. As mentioned above, in some departments a “sink or swim” approach to development of managerial expertise prevailed, while in others coaching was provided.

Local managers misunderstood the new system of career management. The interviewees stressed that one of Unilever’s recruitment promises was that there would be opportunities for development. The company did not promise either very high salaries or job security. The latter was a particular difficulty because of the unstable economic environment in Russia. At the same time the concept of a career ladder was more attractive for locals, who in the main were sceptical about Unilever’s vaguely-articulated notions of career progression. Uncertainty about their career prospects and a lack of planning activities encouraged some managers to take more responsibility for their own development, while others remained passive, waiting for the company to manage their careers. Young managers were more



ambitious, and more anxious about their employability, being keen to improve it by any means. Some of them were already studying, while others were looking for different programmes that could provide an internationally-accredited certificate either in their functional area or in general business education, such as an MBA. Older managers, especially those who had stayed with the company through the acquisition, were more passive, waiting for the company to manage their careers. The production manager said:

"We do not know about the future ... I want to develop myself, but it's the company that should set the goals for my development."

The interviewees expressed a need for an explicit system of career planning that would co-ordinate the development of managers. They were certain that there was no system providing continuous career development for all managers, and promotions made in the period before the fieldwork were based on "subjective" assessment of individual performance. The interview data suggested that managers did not have a good understanding of the practices and systems transferred and the rationale behind them.

### **7.7.7 Not enough explanation of transferred practices given**

As highlighted in Table 7.3, there were a number of issues local personnel wanted to understand better. The key concern was the performance management system and appraisal.

#### **7.7.7.1 *Performance management and appraisal***

The new system of appraisal was introduced to Russia in 1995. Within this system all managers and supervisors underwent a formal annual appraisal in order to discuss their performance in relation to job requirements with their immediate bosses. When introducing this practice, the company ran several training sessions, and distributed guidance notes describing the conduct of appraisal meetings and the process of making assessments.

The appraisal procedure took several steps. First, the heads of departments had to fill in appraisal forms on all their subordinates. The first interview followed shortly after that, in order to acquaint the individual with the content of the form, and arrange a second meeting. The appraisee used the time before the next interview to consider his or her own development needs and career aspirations. In the second interview, these were discussed. The individual was given a certain performance category, based on his or her performance during the year under assessment, which would influence his or her salary increase. The appraisal form also comprised a list of Unilever competencies to assess an individual's abilities. The list of competencies included: clarity of purpose; practical creativity; objective analytical power; market orientation; entrepreneurial drive; leadership; helping others to develop; influencing others; self-confidence; integrity; team commitment; learning from experience.

Appraisal meetings were also used to discuss the appraisee's career prospects. The appraiser was asked to indicate a development rating for the appraisee, as well as to suggest promotional prospects in the current department, or any possible alternatives. This was followed by discussion of potential training and development with the aim of identifying suitable training events. All previous training also had to be indicated on the form. Then the form was signed by both the appraisee and his or her immediate boss, and was sent to the HR department.

Unilever also introduced a target setting procedure in 1997. However, according to the training and recruitment manager, though there were special forms to record annual work plan targets, this was not done in every department. Problems also arose from the company's failure to stipulate clearly its requirements concerning target setting, - this process was left to the discretion of managers or heads of department. According to the HR managers interviewed, for Russian managers vagueness is critical: it carries the message that the subject treated vaguely is not that important. Only in a few departments, again following the initiative of their heads, were targets set for the forthcoming year.

Furthermore, personnel in training also highlighted that there was a significant variation between departments in the level of professionalism with which the appraisal interviews were conducted. In general, expatriate managers conducted appraisal meetings more professionally than locals, whose approach was more



formal. Usually, according to the interviewees, in the absence of any proper guidance, local managers were left with a list of qualities whose meaning they could only guess at. For example, the Unilever competencies used for the assessment of an individual's personal abilities had been neither changed nor adapted to take account of Russian circumstances or cultural traditions. This view was also shared by those responsible for implementing MD in the subsidiary. Besides many difficulties arising from translation, according to the training and recruitment manager, these competencies were frequently misunderstood or misinterpreted. Thus, for example, the quality of "influencing others" was difficult to explain to local managers because in Russia it generally carried negative connotations of manipulation.

As highlighted in Table 7.3, the implementation of other practices was resisted by the locals due to a lack of understanding. Thus, by introducing teams, Unilever made concerted attempts to impose its culture, encouraging communication and networking, as well as development and learning. However, local managers were left to guess why they should work in teams, and often saw no value in it. Though there were formal teams established in the company (for example the management committee board), the managers interviewed did not understand the concept of teamwork very well. They often saw it as a means of establishing informal and personal relationships. The fieldwork undertaken in 2002 confirmed that the problem persisted.

Finally, the managers interviewed did not understand their role in the MD process. On the one hand, they were encouraged to take the initiative in their own development. On the other hand, the decision about the appropriateness of MD was left to their superiors, leaving them to doubt whether initiative from subordinates was really being encouraged. The project manager said:

"Sometimes you can place a request about training and not get it because of the boss's opinion, or because places are limited. You can only guess the reason."

Some managers found it difficult to understand why they were expected to take the initiative in their own development, as this had never been clearly explained. Finally, as shown in Table 7.3, misunderstanding also arose from inconsistencies in the implementation of the transferred practices.

### **7.7.8 Inconsistencies in the implementation of the transferred practices**

Personnel in training argued in their interviews that Unilever's regional training programmes were not provided on the basis of the needs of individual managers in the subsidiary. They believed that this was due to the lack of a systematic approach to the identification of training needs, and also to the existing system of nomination for training, as well as the Unilever system of job classes, which prescribed particular courses for a particular class. For example, some managers did not even know why they had been sent on a particular regional course or programme.

As prescribed by the system, the first step in the nomination process would be a discussion with a manager's immediate superior. However, almost all interviewees stressed that "the usual way of doing that was not to have much of a discussion". Sometimes the decision to send a manager on training was made by his or her boss without any discussion at all, and managers were "pleasantly surprised" to be going (the marketing accountant). According to the interviewees, the whole process was very subjective, and in some departments training was treated as a kind of reward. In contrast, in other areas, heads of departments actually used their own networks to arrange functional training for their subordinates.

It was apparent that, apart from a few cases, there was no follow up on training, or thorough evaluation of its effectiveness. The sales accountant said:

"Nobody asked me about the training I was on, nobody was interested to hear my feedback on the course."

At the same time, for the interviewees it was very important to have clear training objectives. The quality assurance manager argued that:

"Having training is very important, while having clear training objectives is even more important."

Furthermore, the interviewees claimed that they could not clearly see the link between their efforts and the outcome in terms of career progression, since their appraisals were done formally. Initially the attitude of the majority of managers towards appraisal was positive. Some of them saw it as a very powerful tool of control, others as a formal setting where they could get feedback on their



performance and discuss issues related to their own development. However, how appraisal was actually undertaken tended to change this positive attitude to an indifferent or even decidedly negative one. The majority of managers had come to regard appraisal as “just another company-driven procedure that took lots of time and was of no use to anyone” (the production manager).

Many factors were responsible. Of major significance was the attitude of the appraiser to the procedure itself. The development manager put it as follows:

“Appraisal works well when the appraiser is really interested in developing the business and his or her subordinates, otherwise it is a very subjective procedure.”

Furthermore, appraisal was done in accordance with the existing organisational structure. As a result, in some cases performance of managers was appraised in a very mechanistic way and in some cases their appraisers were not familiar with their work. The quality assurance manager explained:

“My work is really about not making problems for my boss, so he does not know what I do; my internal client is a different department ... they really know about my work.”

Managers interviewed argued that, though appraisal meetings were supposed to provide a formal setting for the identification of training needs, nominations for places on training courses and the training plan had been devised long before appraisal started in the company. On the other hand, managers who did not participate in appraisal – new starters were not supposed to take part in the process - did not get a chance to discuss their training needs at all.

The analysis of the data from interviews both with personnel responsible for implementing MD in the subsidiary, and those receiving training, helps to identify factors which intensified the misunderstandings highlighted in the sections above. These factors are also summarised in Table 7.3.

### **7.7.9 Factors which intensified misunderstandings**

According to the managers interviewed in the Unilever head office, misunderstandings were a particular issue in Russia, where people's perceptions of managers and expectations of managerial approaches and styles were an important obstacle to the adoption of new ideas. Trust between expatriates and local managers was a major concern for both British and Russian managers. Thus, according to a number of the managers interviewed, expatriates saw their Russian colleagues as very intelligent but lacking initiative. On the other hand, the Russians were of the opinion that while the expatriates asked them to show more initiative, at the same time they imposed too much control, wanting to "check everything".

Other issues chiefly arose from expectations concerning the role of expatriates in developing the new business in Russia. Russian managers thought their expatriate colleagues could have been more willing to understand Russian realities and cultural differences. The role of expatriates was even more important, given the existing tensions between the management culture of those who came from inside the factory and those who were recruited from outside.

Nevertheless, in contrast to Cadbury Confectionery ZAO, there were no assignments where an expatriate manager was primarily responsible for the preparation of his successor. Overall, there was no formal expectation that expatriates would leave the country at the end of the period specified in their contracts, having prepared local managers to take over. The managers interviewed stressed that the training of local managers mostly took place through the good will of certain expatriates, rather than by formal assignments.

The previous sections described MD in Severnoye Siyaniye ZAO at the time the fieldwork was conducted. The MD system in the subsidiary was due to undergo major changes in 1997, following key changes in the Unilever system related to the introduction of work levels instead of job classes and Unilever competencies. The nature of these changes is described in the following section.



### **7.7.10 New HR Initiatives**

The new national personnel director for Russia arrived from Switzerland in November 1996. His arrival triggered many changes in the structure, policy and procedures of the HR department. The major initiatives included the introduction of manpower planning, and changes to MD in the subsidiary, concerned particularly with training and development activities. The focus was on identification of training needs and using a company-wide analysis for the organisation of local training. Another initiative was to bring training activities “in-house”, while still utilising Unilever courses as appropriate. Furthermore, the form of training was changing, focusing more on secondments and attachments rather than formal courses.

The focus of appraisal was also changing. Starting from 1997 it would give more emphasis to the development of an employee, rather than being purely a performance review. Personal development plans (PDP) would also be introduced. For the appraisal in 1997 a new system of assessment based on Unilever competencies and professional skills in relation to work levels was to be introduced in the subsidiary. New work levels were introduced to replace the previous system of job classes, and target setting was given a high priority. The introduction of the new system was to be supported by intensive training.

The last sections discuss major problems the company encountered with its MD in Russia.

## **7.8 Summarising remarks**

The sections above present the MD model adopted by Unilever as of 1997. It has been argued that the pattern of development of the company within the British national business system has had a significant impact on Unilever’s approach to the development of its managers. Furthermore, the organisational context has shaped the perception and use of MD in the company. The company’s organisational structure and management processes, which influence its approach to MD, have been built on and reinforced by its administrative heritage. Also, the business environment has had

a significant impact on the development of co-ordination and control mechanisms in the company.

Key features of MD in Unilever are as follows. The processes of managerial recruitment and training are given particular attention, and the whole system is oriented towards early identification and development of potential. The focus of development is on creating general managers rather than technical specialists. Furthermore, MD in Unilever is seen as a vehicle for disseminating corporate values. Thus, much attention is paid to networking and to the use of expatriates. Though business units differ in terms of the MD systems they employ, there are far more similarities between them compared with business units in Cadbury Schweppes. This is because of the role played by head office in transmitting best practice, which espouses indirect influence and control: every MD process in subsidiaries is managed in accordance with overall Unilever policies. Equally, MD in Unilever is closely monitored by head office. There are a number of formal training programmes organised at the corporate level. The whole process of MD is structured and based on job classes, although these are being replaced by work levels. Equally, the company is planning to make more active use of competencies. Though the responsibility for development currently rests with the company, there are indications that it will shift to the individual manager.

This research has examined how this system was being transferred to a Russian subsidiary of Unilever. Managerial recruitment and training were being given a high priority. At the same time, the prime objective of Unilever's MD in Russia was the introduction of a "Unilever way of doing things" which involved a teamwork approach, a focus on more general management skills, and new Unilever-specific jobs. The fieldwork in 1997 showed that Unilever sought to graft its existing structures and practices onto its Russian subsidiary. This was in order to try to structure the behaviour of managers. However, the transfer of these practices was accompanied by tension and misunderstanding: practices were in place but their implementation and use resulted in frustration on the part of the local employees. The following sections will examine whether this tension has persisted.



## **7.9 Unilever five years later: resolved and unresolved problems**

As highlighted in Chapter 4, the intention of the fieldwork in 2002 was to identify unintentional consequences of the transfer: tension, frustration, and other problems. The second series of interviews took place in the period from December 2001 to February 2002. The evidence for this case study was drawn from 13 interviews. All but one of the managers interviewed were local, the only expatriate manager being the HR director.

### **7.9.1 Business pressures and changes in Unilever**

Since the fieldwork in 1997, many changes had occurred in Unilever's structure and business strategy. Pressures described earlier in this chapter triggered further changes, stressing what had for Unilever always been core business areas, namely Foods and Personal Care. Though the company retained its matrix organisational structure, the industrial chemicals business was sold in 1997, and Diversey Lever followed in 2001. In order to strengthen its position in core businesses, Unilever purchased several foods companies, including the American Best Foods company, which had its own subsidiary in Russia.

Changes in global business strategy triggered modifications to MD in the company. According to the HR manager (supply chain and remuneration), different behaviours and attitudes were encouraged: the company adopted a "more aggressive and more externally oriented approach", trying to avoid the pitfalls of being "too closed and too internally oriented" as in the past. The underlying processes still included the early identification and development of managerial potential. The new approach was reflected in the introduction of new MD practices, and some existing practices changed their focus and content. For example, Unilever modified its list of competencies and introduced a new set, the Leadership Growth Profile (LGP), which focused on developing leadership skills.

### **7.9.2 Severnoye Siyaniye becomes OOO Unilever SNG**

Since the fieldwork in 1997, the organisational structure of the Russian subsidiary has changed significantly. According to the HR director, the Russian subsidiary became a “classic” overseas Unilever business unit. In 2002 Unilever had four factories, including the former subsidiary of the Best Foods company, and an established sales force throughout Russia. Severnoye Siyaniye became one of four other Unilever production sites in Russia, and was thenceforward referred to as the St Petersburg site or HPC site among managers. A new greenfield tea factory was due to open in St Petersburg in 2002.

Unilever suffered significant financial losses as a result of the Russian financial crisis in 1998. For more than three years the subsidiary did not turn a profit, though its volume of sales increased. Only in 2001 did the HPC site, formerly Severnoye Siyaniye, pass the break-even point; other sites however continued to be unprofitable. The company introduced a cost saving initiative. Furthermore, Unilever changed the name of its Russian subsidiary to OOO Unilever SNG. This was done to consolidate the different sites, in order to use one bank and pay taxes on a combined income statement.

Consequently there were changes in the product range. Though 85 per cent of products sold in Russia in 2002 were produced locally, in comparison with 20 per cent in 1995, the new core competency strategy meant that only successful brands would survive. In 2002 there were no perfumery products produced in Russia. The site produced deodorants, shampoos, and washing liquids. The number of different brands produced was the same as in 1997, although the products themselves were different. Some of lines which had been discontinued in 1998 were re-launched. Overall, 89 brands were produced locally in 2002. Packaging materials were mostly local but about 80 per cent of the raw materials were still imported.

Unilever also introduced new management practices and systems, which will be described in the following section.



### **7.9.3 The new management and MD practices introduced**

Since 2001, the site became part of the HPC group in Europe. This led Unilever to introduce new requirements for controlling its inventory. Other changes included the introduction of outsourcing of non-core activities, and temporary labour contracts. This was done in order to reduce headcount. By the end of 2002 the objective was to further reduce the number of staff by 80 people, so there would be 300 employees on the site. At the same time, there were changes in the organisational structure: the position of shift supervisor was made redundant so that only two managerial tiers were between the site director and the operators.

The Total Productive Maintenance (TPM) approach was introduced in the St Petersburg site in 1999 following the introduction of this management practice in Unilever subsidiaries in Europe. The introduction of this management practice emphasised teamwork and led to redefinition of managerial role and style.

The first step in the introduction of TPM was the compression of the grade system: 11 grades in the old system became 6 grades in the new system. The introduction of the new grade system was supported by intensive technical training. A learning centre was opened on the site, providing access to library and intranet learning materials. A new qualification system for operators was introduced which assessed both technical skills and a broader knowledge of TPM concept and quality issues. Every new qualification, in turn, implied an increase in salary of 9 per cent. According to the HR managers interviewed, the introduction of this new system motivated operators into training and learning. By January 2002, almost 50 per cent of all operators in the HPC site received new qualifications.

Other initiatives involved the introduction of motivational programmes such as “Near Miss” to improve safety, and a recognition programme. Each offered rewards, including lunches with directors and bonuses. The HR manager of the HPC site mentioned that they were also planning to introduce PDP for operators. At the time of the fieldwork, operators had their salary adjusted for inflation, and managers had bonuses and salary adjustments on the basis of their performance (referred to as the PDP increase).

In order to support the introduction of new management practices, new MD practices were also introduced, and those existing before were changed. MD practices were deemed supportive to the introduction of management practices, as they stimulated the required behaviours of employees. Thus, according to the HR director, new “MD tools”, such as identification of training needs at the individual level and the use of psychological tests for recruitment purposes were brought to bear in the subsidiary.

The new compensation system was introduced with the aim of reducing the difference in payments received by local and expatriate managers. In the view of the HR managers interviewed, new elements in compensation such as stock options and variable pay promoted long-term orientation and showed commitment of the company to its core managerial cadre.

Unilever head office determined which MD practices were to be introduced and the timing of their introduction. The local HR function was responsible for the introduction of the practices and for providing feedback concerning their implementation to the head office in Rotterdam. The HR manager (supply chain and remuneration) commented:

“The Unilever way of doing things is about co-ordination: initiative (concerning the introduction of a new practice) comes from the head office because they want to have similar practices everywhere and they want us to have these practices as well. Still the specificity of the country is taken into account and they listen to us ... transfer of practices is very important for Unilever because the core team of people should be the same everywhere; it should be global, unified, and mobile.”

Unilever transferred many of its practices to the Russian subsidiary but, as the following sections explain, this transfer entailed many misunderstandings. Cultural clashes caused tension in the introduction of new management systems and MD practices. Moreover, the mechanism by which Unilever sought to introduce the practices intensified this tension. The aim of the first section is to highlight the influence of context on the process of transfer, after which the importance to its success of the mechanisms used is discussed in greater detail.



## 7.10 Tension persisted

As highlighted in Chapter 3, a multinational company facing the challenge to transfer its management practices to another location has to be aware of the barriers arising from the influence of context on the transfer process. Table 7.4 shows that in the case of Unilever, the influence of context was at different levels, including the social environment inside the company, the position the subsidiary has in the local labour market, specific features of the local labour market, and, finally, the broader environment, i.e. the national institutional framework of the host country where the MNC has its operations.

**Table 7.4 Contextual influences in the transfer of management practices to a Unilever subsidiary from its parent company**

Context and work organisation	OOO Unilever SNG (brownfield company)	Practices facilitated / resisted
Social environment	Heterogeneous workforce in educational backgrounds, previous work experiences, social backgrounds, and attitudes to work; Heterogeneous skill levels;	Environment not conducive to attempts to develop a shared, unified work culture; Resistance to introduction of new methods of work and management practices;
Position of company in local labour market	One of the major multinational employers in St Petersburg; one among many other multinational employers in Moscow; Poor performance and prospects of closing down the subsidiary; Company policy of providing low salaries (compared with other multinational companies) but many development opportunities;	Reputation of a multinational company facilitates recruitment; Poor job opportunities in St Petersburg weakens bargaining power of employees – facilitated use of temporary contracts and acceptance by employees of changes in work organisation, e.g. compression of the grade system; Employees are motivated in formal training – it becomes important for future job opportunities;
Local labour market	Availability of technical skills is relatively high; Availability of people with work experience in other multinational companies; Availability of employees (graduates) with business educational background;	Facilitated introduction of practices: openness and better acceptance of new practices;
Institutional / cultural context	Undergoing transformation in institutional environment; Predominantly short term orientation among local workforce; Persisted traditional trust and authority relations;	Resistance to introduction of any practice that would challenge traditional way of working and relating; Some practices are difficult to sustain given profound differences in institutional and cultural environments in home and host countries, e.g. the introduction of long-term elements in compensation system;

As highlighted in Table 7.4, these contextual influences either facilitated or inhibited the introduction of management practices. In the Russian subsidiary of Unilever, context mainly hindered the transfer.

### *Labour market issues*

The internal labour market in the subsidiary has changed considerably: of the 1500 employed in 2002, 600 were new employees. In 1995 there were approximately 60 expatriate managers working in the subsidiary, but by 2002 there were only 15.

As shown in Table 7.4, the local labour force was comparatively heterogeneous in the subsidiary in terms of its skill levels, experience, and cultural background. Because of different experiences and thus expectations of factory work and management style, the site continued to maintain significantly different types of managers who had different orientations to work. This influenced the way that management sought to introduce MD practices in the subsidiary as well as the consequences of the management systems introduced. As shown in the examples below, this situation was particularly uncondusive to the development of a shared, unified work culture, owing to significant resistance in some parts of the subsidiary to the introduction of new work methods and management practices.

Starting from 1997 there was a clear strategy of recruiting young, inexperienced people who had little or no prior experience of working in the company. These people could be developed from scratch, thereby reducing the legacy of history and the inertia of the management style typical of “old Soviet-type managers”. “Old” managers, concentrated mostly in production and the older parts of the company, joined the subsidiary following the acquisition of Severnoye Siyaniye. They had experience from within the company of a traditional Soviet light industry environment. As described in Chapter 5, enterprises from the agriculture and light industry sector traditionally employed unskilled workers. Employees in such enterprises had a narrow and specialised education, with no experience of advanced management practices (as employees from the former military complex), and no business-oriented education. Some of them had not received any higher education at all. These managers had a very different approach to work from the younger



managers and those who came from other enterprises (mostly from the former military complex) as a result of the collapse of the Soviet economy in the 1990s. Those who came from outside had some business experience; all had a higher education, but their background was predominantly technical.

At the same time, as highlighted in Table 7.4, recruitment in St Petersburg and in Moscow (two locations where the interviews took place) was facilitated by the local labour market. Traditionally, St Petersburg was an area with a high concentration of military enterprises. Even today there are 175 military enterprises in St Petersburg, employing 135,000 people (*Russian Statistics Annually*, 2001). Furthermore, Moscow and St Petersburg were major centres for research and higher education: even today, one third of all students in Russia study at their various educational institutions (*Russian Statistics Annually*, 1998). As mentioned in Chapter 5, different initiatives concerning business education were also mostly concentrated in these regions. Finally, Moscow and St Petersburg were areas which enjoyed the majority of direct foreign investment. Thus the labour market could offer people with experience of working in multinational or foreign companies. The availability of young graduates, some with business education, made it possible for Unilever to focus its recruitment on graduates and to establish a programme for management trainees. At least two of the interviewed managers were on this programme. Both became managers two years after joining the company.

Since 1997 many multinational businesses have moved their head offices to Moscow, leaving few production sites in St Petersburg. Because the reputation of a multinational company promoted recruitment into its subsidiary, this move left rather poor prospects of finding employment in multinationals for people in St Petersburg. Therefore, as indicated in Table 7.4, employees in St Petersburg were more sensitive to the practices introduced.

### **7.10.1 The influence of institutional and cultural context**

Findings from the fieldwork in 2002 support the conclusion that one major reason for persisting tension was the fact that the practices transferred were alien to the context to where they were transferred. Thus, for example, underdevelopment and on-going

transformation of key institutional systems intensified the feeling of insecurity and short-term orientation held by the majority of Russians which, in turn, made them fall back on familiar practices and work methods rather than welcome the new ones they did not understand. Secondly, new practices and processes challenged the existing/traditional way of working and behaving. As shown in Table 7.4, these contextual factors influenced the consequences of the management systems introduced.

Ongoing changes in the national context made the transfer of practices difficult. The HR director argued that:

“Focus on the short-term is extreme in Russia, and it has been conditioned by the environment. In Russia there has always been a focus on survival. For example, the mortality rate is very high in this country: why think of my pension if I am not sure I’ll live that long. If a Russian has the chance to benefit from taking an opportunity today, he would take it. They don’t trust our long-term intentions, they don’t believe in stability.”

Further, the importance of formal training as part of a structured, company-driven approach to development (as familiar from the USSR) for the local employees was stressed by the majority of the managers interviewed (approximately 80 per cent of interviews) and was highlighted by the following comment made by the HR manager (supply chain and remuneration):

“This is the mentality of people in Russia, they do not understand that there is development if there is no formal training. They expect the company to look after their development, but we (Unilever) want to change this approach so that the individual takes responsibility for (his) own development.”

Another comment came from the commercial manager:

“Employees here are very conscious about training. Unilever is well known as a company which does not pay much but develops. Thus, everyone wants to have training; it is about social status.”

Given that the good intentions of a company were not always understood by the local workforce, local managers tended to take on familiar practices, which made the introduction of new practices more difficult for Unilever. On the other hand, as will become clear from the sections below, Unilever did not pay much attention to the



way it tried to introduce its practices, probably relying too much on the introduction of formal structures.

#### ***7.10.1.1 Challenges to the traditional way of working and relating: teamwork***

The introduction of TPM brought team-working practice to centre stage. However, the introduction of this practice was resisted by managers accustomed to different ways of working and relating. The following quotes represent views held by the majority of the managers interviewed. Thus, the HR director said:

“Teamwork does not work in Russia because it assumes that all roles are equal. Russians, if they are given a task, would spend 90 per cent of their time identifying who has the power or authority to make a decision and only 10 per cent of their time on the task itself. It is very important for the person to be special, exceptional. This desire to be exceptional comes from the importance attached to status.”

This view was supported by the local managers interviewed. They all claimed that the implementation of the practice was difficult, given the locals' ingrained submissiveness to power and authority as well as their rather individualistic approach to decision making. The TPM-SHE manager said:

“It is very important for people to understand who is the most powerful person (in a group) in order to adjust their behaviour. It is all about who makes decisions, and the inequality of power in different roles. In Russia people either make decisions individually - and this is final and has to be taken as the order by the others - or they are afraid to make any. “I am the boss you are a fool, you are the boss I am a fool” (the Russian saying) - this is ingrained.”

The introduction of teamwork was mostly resisted in production where there were still many “old” managers working. The TPM-SHE manager stated:

“I was in charge of the project (TPM), and faced lots of difficulties related to the fact that our production was run by “old” people. People resisted my work; they were against anything that they perceived as interference into their kingdom, anything that would be damaging to their authority and power. Their rule of management was “divide and rule”. This is because it is easier for them to manipulate people; they would never forget mistakes and

use these to their advantage afterwards. Our production manager was a real problem. She sabotaged everything we did.”

The managers interviewed (approximately 90 per cent expressed the same view) confirmed that in Russia people have to be coerced into working in teams, in the sense that the work organisation should support team working by encouraging people to interact and make decisions in teams. This, according to the interviewees, had not been implemented in the subsidiary. Given the sensitivity of the local management to the recognition of personal contribution, the importance of this fact should not be underestimated for successful teamwork in Russia. The commercial manager complained:

“A big organisation does not promote taking personal responsibility for decisions made. Unilever certainly does not stimulate this behaviour – if you drive the project through you are the one to be blamed if something goes wrong. If everything is fine, it is not your work but the team’s.”

Recognition was a very important theme, which was much talked about during the interviews. The interviewees believed that the “recognition of knowledge and results achieved” was far more important and motivating for the locals than just monetary compensation. This view was repeatedly expressed by the interviewees (more than 90 per cent of interviews). Thus, the QA manager argued that it would be “very difficult to make the Russian work only for money”. This view was further developed by the supply chain distribution planning manager:

“Status for Russian people is more important than money. When we were introducing the new grade system for operators, we compressed the number of grades but increased salaries within grades. Then nobody could understand why people were not happy. We did not take into account that these grades meant a certain status to operators. Status is about recognition of your knowledge, your results, etc. The problem was that people worried about not being recognised, not being appreciated.”

Another issue, which made team working in Russia difficult, was the reluctance to share information among team members. Lack of horizontal communication about task-related issues in Russia has been long discussed in the literature (e.g. Fey et al., 2000). As discussed earlier in this thesis, people in Russia are very keen on sharing personal information and establishing personal relations. However, they would be very cautious to share information which they believe constitutes their “expert”



status and thus makes them indispensable. This view was expressed by the majority of the managers interviewed in this study as well (more than 80 per cent). The operations manager HPC explained:

“For me to share information I have to be sure that this information will not be used against me. Also by sharing and explaining what I know I will increase other people’s knowledge and value (and therefore reduce my status as an expert).”

The MRP manager continued:

“It is difficult to work (in teams) because this means communication and there is a lack of it. For teams the absence of information which is supposed to be shared between members is a key obstacle to successful work in Russia.”

Furthermore, the QA manager referred to the lack of informal communication between people when a decision had to be made. According to him, people usually preferred to exchange e-mails in order to have some formal proof that the issue was discussed and a particular agreement was reached upon the basis of which the future decision was made. He mentioned that this practice was criticised by their expatriate managers at every possible opportunity but to no avail. Probably, one possible explanation was in the words of the MRP manager:

“I am not afraid of taking responsibility for a decision but I would always look for ways to protect myself for the future (in the company). Once, there was a situation when I had to make a “global” decision. We had some problems in production and I took the initiative to make some changes in working hours. Before that, I wrote to the supply chain director asking about whether it would be possible to do this. I received a very vague answer neither forbidding nor encouraging. I knew that in some part of Unilever people worked for twelve hours a day, and I changed the working hours schedule. In two weeks we were back to eight working hours but I was not punished for my initiative. I was honestly afraid of doing what I did because such things are not encouraged in Unilever.”

The following section examines difficulties related to changes in management role and style as required by the introduction of TPM in the subsidiary.

#### **7.10.1.2 *Challenges to the traditional way of working and relating: changes in management role and style***

As highlighted by the interviewees, new management practices also brought significant changes in the roles and behaviours of both managers and workers, thus challenging the country's traditional ways of behaving and relating to management. Thus, the HR manager in St Petersburg referred to difficulties for operators to understand changes in management roles following the introduction of TPM:

“Our operators are not yet ready for changes in management structure and the removal of shift supervisors. This is because they would need to take more responsibility for their work. For example, because of TPM we introduced the position of team support officer, and made the position of shift supervisor redundant. Operators understood that the new position was a substitute for the one they had before, just a new name for a shift supervisor.”

The general tendency to transfer responsibility to upper levels was noticed by other managers as well. The understanding of the role of management presented by the managers interviewed was based on the paternalistic traditions described in Chapter 5. Thus, the importance of expert knowledge and the ability to establish trust were particularly stressed in the interviews. These qualities were viewed as prerequisites of a good manager by 90 per cent of the interviewees. Quotes from the interviews that illustrate local managers' thinking about the role of a manager are provided below. For example, the operations manager HPC argued:

“We have a different understanding in Russia (compared with the West) of what would motivate people and lead them. I know that I have good technical skills and I am able to understand complex technical problems or just do repair work. My people respect me for this. My secret of successful work as a manager is my expert knowledge.”

The senior territory sales manager continued:

“Trust is the most important, and honesty is the key to make people trust you and be open with you. I would always defend my subordinates and shield them in front of my superiors. This behaviour helps to develop trust; my people trust me. I am responsible for my team and if I allow my boss to punish or pressurise my people I will not fulfil my responsibilities.”



According to the managers interviewed, sometimes “democratic” team discussions did not work and then the manager had to make tough decisions and “tell people what they have to do” (the QA manager). The supply chain distribution planning manager recalled a joke they had in her department: when somebody tried to argue they used to say “stand and be afraid”. Though expressing her paternalistic views very openly, she also said that she had a “whip” to make people do what they were required to do. The seemingly contradictory ideas concerning the necessity of both control and freedom to achieve successful management were reconciled by the operations manager HPC:

“We (Russians) have to be pushed all the time if we are to achieve something. It is really about “until the thunder strikes the peasant will not make the sign of the cross” (a Russian saying). There should be control for task execution, and at the same time initiative should be encouraged. I have lots of examples when local employees took responsibility for decisions. I never punish the individual for mistakes if they are not repetitive. I give a task and set resources and they manage the execution themselves. What I am interested in is the results. The tendency to transfer responsibility for decisions to the higher level is because of insecurity. I have to explain (draw borders) when they can make decisions themselves and when not.”

This highlights the importance of explanations and “drawing borders” if the practices transferred are to be successfully implemented. Explanation of the rationale and encouragement of the needed behaviour are the keys to successful transfer in Russia – the view repeatedly expressed in interviews. The HR manager (supply chain and remuneration) explained:

“For Russians it is important to understand why they have to do something rather than just been given an order and told that they have to carry it out. In the West people are more law-abiding. Our people will always invent a reason to do things differently. Understanding is what is needed. For example, coaching is understood by very few, and also there was no explanation as to why we have to do this. It is important to make people interested in coaching, and show them its advantages.”

The senior territory sales manager supported this view:

“In Japan or China, for example, whatever the boss says is accepted by his or her subordinates. In Russia everyone is a rebel,

and you have to explain why you ask this person to do this and that.”

The discussion above highlights the importance of explanation for the successful implementation of the practices transferred. In transferring formal structures and practices, tools were introduced but not their rationale. As shown in Table 7.4, the local people obviously lacked understanding as they searched for somebody to give them the needed explanation. It was just a case of formal systems and procedures being imposed. Thus, there were many comments in the interviews (more than 90 per cent of interviews) summarised by the senior territory sales manager as follows:

“HR should not approach with unified practices, the same for everyone, because we all have different backgrounds. People need explanations to get used to new practices and internalise them. ... However, all we have is codes and procedures: this is what makes working for multinationals in Russia difficult.”

This section has discussed why the practices transferred by Unilever were resisted. As indicated in Table 7.4, the implementation of practices that challenged the traditional way of working and relating, and those which were difficult to sustain in the current Russian institutional environment, was surrounded by tension and misunderstanding. Furthermore, the section has highlighted the importance of explanation to the success of the transfer. The lack of such explanation resulted in increased misunderstanding and misuse of the practices transferred.

### **7.11 Transfer and implementation of management practices in OOO Unilever SNG**

Unilever relied heavily on the introduction of formal structures or tools when bringing its management practices to the new location. As Table 7.5 shows, the company transferred its formal MD structures and systems as well as other features, including the use of expatriate managers, incremental introduction of practices through fast rotation of expatriate management, and the establishment of an organisational hierarchy. These formal structures were deemed necessary to stimulate needed behaviour among the local workforce to facilitate the introduction of management practices.



**Table 7.5 Transfer and implementation of Unilever's management practises: unintended consequences**

Organisational structural features used by Unilever to transfer practices	Implementation of practices in OOO Unilever SNG	Resulting misunderstanding and tension (unintended consequences)
Formal MD structures and systems transferred; Use of these formal practices is required by the parent company;	<p><i>Formalised use of practices</i> Understanding of steps and procedures in transferred MD practices; lack of understanding about the rationale behind them; Some practices are very formalised, e.g., system of potential development and training; Lack of internal integration of MD practices</p> <p><i>Misinterpretation and misuse of practices</i> Cultural and linguistic differences in interpretations of competencies and supporting behaviours</p> <p><i>Focus on potential</i> Differences in job opportunities – focus on recruiting and developing young employees</p>	<p><i>Formalised use of practices</i> Practices are forced into use by company, thus used in a very formal way, e.g. filling in forms, copying examples from manuals; Frustration as people felt their contribution / efforts / achievements were not recognised by the company; Questionable purposefulness of practices – no perceived link between development of competencies and career progression;</p> <p><i>Misinterpretation and misuse of practices</i> Lack of understanding of competencies and potential misuse thereof; Fear of potential misuse of practices, e.g. ranking – expectations of negative consequences;</p> <p><i>Focus on potential</i> Perceived (age) discrimination in promotion and development opportunities - intensified reliance on familiar practices, e.g. establishing an informal network in order to keep employment; Intensified feeling of insecurity in the company;</p>
Composition of management team – use of expatriate managers	Heterogeneous management team in terms of backgrounds, expectations, and understanding of practices; Inconsistent management team in values espoused, and management style displayed; Fragmentation of management;	<p><i>Lack of integration and consistency</i> Absence of “change coalition”; Contradictions in practices' implementation; Frustration as a result of inconsistencies between espoused values of the company and behaviour of superiors;</p>
Frequent changes in management team	Short-term contracts for expatriate managers; New management team – means new approaches and practices; Incremental introduction of practices; Lack of continuity and consistency in implementation of practices;	Lack of communication, trust, and shared understanding between expatriate and local managers; Lack of trust in good intentions of the company - managers become cynical of management initiatives;
Management hierarchy and the relationship between different levels	Lack of communication between top management and other management tiers; Lack of communication across the company; Heterogeneity of management thinking;	Absence of strong link of shared values and trust down the organisational hierarchy; Lack of information about new initiatives; Lack of “bigger” picture - what is happening in the company;

However, as Table 7.5 indicates, the introduction of formal structures should be supported by explanations of their meaning and the values upon which they are based. The neglect of such processes makes efforts to introduce new practices counterproductive as it increases tension and misunderstanding, thus exacerbating the negative influence of context.

#### **7.11.1 Formal MD structures and systems transferred: tools vs. processes in MD**

Table 7.5 shows that while the required formal MD systems and practices were introduced, the process by which these practices were implemented, in terms of development, monitoring, training and appraisal, varied across different parts of the company. This section describes misunderstanding and tension arising from the implementation of the MD practices transferred to the subsidiary.

One of the key processes in Unilever is Personal Development Planning (PDP). It is based on the extensive use of competencies for the assessment of potential and development needs. The majority of the interviewees stressed that competencies were difficult to use because of differences in interpretation. The HR manager (supply chain and remuneration) pointed out:

“Competencies are easily mixed up; they are hard to understand, and have lots of similarities in names.”

The managers interviewed stated that there was training in competencies, but their descriptions were not clear and were sometimes contradictory. As mentioned above, Unilever was introducing a new set of competencies (LGP), and these, according to 90 per cent of the managers interviewed, seemed even more difficult to use because of the “very slight differences” between them. As the HR manager (supply chain and remuneration) stressed, “people at present do not clearly understand the need to change competencies.” As shown in Table 7.5, difficulties in the interpretation of competencies resulted in a very formal way of using them. Thus, the commercial manager argued:



**“The major problem in the use of competencies is that everyone interprets them in his or her own way. Often people just copy examples from the Unilever PDP manual to support their own assessment of competencies.”**

Furthermore, the expatriate managers and the locals, probably due to their cultural backgrounds, differed in the interpretation of competencies. The MRP manager said:

**“When my boss was an expatriate manager, we argued about the assessment of certain competencies. For example, we argued about perseverance. I was told by my boss that I was not persistent enough; I disagreed, because this is a stereotype: if somebody is very energetic then he or she is persistent and demonstrates perseverance. There are workers and there are those who just make noise and nothing else.”**

A similar example was given by the commercial manager:

**“My boss’s (the expatriate manager) assessment of what was considered to be good in competencies was different from that of Unilever. He, for example, could not understand what customer orientation you might have if you did not see any (end) customers.”**

As highlighted in Table 7.5, the procedure of appraisal was understood by the managers interviewed but, according to them, the purpose of all activities was merely to comply with the requirements of the company – the view expressed by almost every interviewee. The major reason appraisal was done in a very formal way was again the way this practice was introduced in the subsidiary. The commercial manager argued:

**“PDP is perceived as a formal tool because it is introduced top down. It is associated with the form. It is a tool, which is not used to its full potential. This is because the company itself takes it as a formal thing. To fill in a PDP form is a formal process: you don’t want to be lower than a certain level; you don’t want to have problems because of a piece of paper ... The problem is that there are many promises given to people that this or that would be discussed during the PDP meeting. This turns the PDP meeting into some kind of a “Yuriev day” (the Russian saying meaning a most anticipated day) from which everyone expects a lot.”**

The QA manager gave another example based on his own experience in PDP:

**“In my PDP I was told that I needed to work on the development of certain competencies. Exactly the same competencies were to**

be developed by other managers – subordinates of my boss. This was because he (the boss) had had his PDP meeting prior to ours and whatever competencies he was told he needed to develop he then brought to us. We all have to develop exactly the same competencies.”

Furthermore, as shown in Table 7.5, the lack of clarity concerning the link between the development of competencies and future career progression also caused frustration. The commercial manager said:

“The link between whether the individual has management skills at the proper level (assessed by competencies) and his or her promotion is not clear. Thus, it questions the value of developing certain competencies, and the overall purpose of doing this is missed out.”

Furthermore, those managers who, according to Unilever's standards, did not have potential, perhaps because of their age, felt neglected and became rather sceptical about Unilever's development initiatives. Thus, for example, the purposefulness of MD activities was questioned by the MRP manager:

“Since 1997 there was introduced an unspoken rule that as soon as you were 40 years old and you were not a manager by this time, you would not be promoted. Also, I recently read a summary of a speech of the most senior person in the HPC-foods in Unilever. He said that the target was to have an average age of managers in Unilever as 29 years old, and that top managers would have to be from outside, not internally promoted. ... I am no longer in search of training for myself. I wanted to go on some before but this never happened. I am usually rejected either because of my age or because my managerial level was not the one for which this training was intended.”

This misunderstanding sometimes resulted in very curious comments made by the managers interviewed. Such comments also indicated that the developmental purpose of PDP was omitted or confused. A comment made by the operations manager (logistics) was:

“I don't understand why we have PDP. I cannot see any value in doing it. PDP cannot be used to fire the individual. Before (in the USSR) appraisal could be used to fire employees. I doubt that PDP is necessary. It is too complex a process to have it once a year. It is not the core of what we do and we have our own work. Development of people is more declared than encouraged: if it were encouraged then efforts spent on this would be appreciated (financially).”



Further, as the HR manager (supply chain and remuneration) stressed, the company was still developing performance ratings. Thus, managers did not have a good understanding of them and consequently they did not know which rating to use in assessment. The impression from interviews was that employees were guessing, and in some cases, just trying hard to fulfil any recommendations made by their bosses. This intention to “please their bosses” resulted in very superficial development because there were no real changes in behaviour (the QA manager). As discussed later, managers differed in their attitude to PDP.

The formal nature of Unilever's training system was also under criticism from the local managers. The commercial manager described the Unilever approach to training as follows:

“Training in Unilever can be compared with a vaccination schedule: no more than one vaccine during a year; the person should be vaccinated at this point in time not earlier or later. I had all the basic Unilever vaccines one after another.”

According to the managers interviewed (80 per cent of the interviewees said the same or similar thing), the key problem with training in the subsidiary was that “the majority of training in Unilever was far from ideal; training courses lacked the reality test and they usually came later than needed” (the operations manager (logistics)). Still, the importance of the identification of training needs, and training in accordance with the needs identified, were stressed by the interviewees. They believed that training which was not done in this way would be damaging as it would “spoil the individual” (the company TPM-SHE manager). The operations manager HPC described the way the training system operated in the subsidiary in his experience:

“I went on the BPC course during my second year in Unilever. I was nominated by my boss. After the second module I came up to my boss and said that there was nothing new for me; the training was too late for me. Training was valuable only because of social aspects: it was a place to have fun and meet different people, but from the point of view of getting new knowledge it was of no value. I was a D-lister and thus I was sent on the International Management Seminar, which was too early for me because it was about strategy.”

As Table 7.5 indicates, frustration arising from a misunderstanding of the training system in the subsidiary, and from differences in training opportunities for different people, was further intensified by the lack of follow up on training and development activities. More than 80 per cent of the interviewees expressed the similar view as the operations manager HPC:

“PDP works if both the boss and the individual monitor completion of the plan e.g. review it let’s say every quarter. You need to trust your assessment and you have to follow your plan. For the first two years I had an expatriate manager as a boss who was very serious about PDP and he also pushed our HR to fulfil what we planned. At that time, PDP worked. He initiated a meeting once a quarter to review the plan. This was his own initiative; it was not company-driven. Nowadays I have to take the initiative to organise a mid-year review meeting with my boss. My appraisal is very easy these days: I have to fill in the form for self-assessment and then my boss reads it through and agrees with almost everything.”

Though the examples above represent frustration on the part of the local labour force as a consequence of the way practices were introduced and implemented in the subsidiary, the managers interviewed also expressed some positive feeling concerning these practices. According to the commercial manager, the use of competencies helped to develop in-company slang. The importance of being assessed, in terms of the resulting feedback, was particularly stressed by the managers interviewed. The MRP manager said:

“I care for people and during our PDP meetings I try to discuss everything and get a good understanding of the things discussed. I believe it is important to be assessed because it is about feedback; it also gives you the possibility of self assessment.”

The commercial manager, on the other hand, stressed the importance of having the opportunity to exchange views:

“I consider the PDP meeting as a two-way conduit of information. Whether criticism goes upwards depends on the personality of the subordinate. This also helps one to get to know what a person thinks of himself. In Russia this is very difficult because people try not to talk about themselves.”

It is interesting to note that the question in the interview about practises that would never work in Russia puzzled the interviewees. In their responses they tended to look



for ways to improve the situation, rather than agree that such practices would never work in Russia. This was in contrast to the first fieldwork interviews.

### **7.11.2 Management hierarchy and the composition of the management team**

As Table 7.5 shows, the composition of the management team was an important influence in the implementation of the practices transferred by the parent company. Management teams, as highlighted above, were from different backgrounds, and had different expectations and ideas of what was required.

Local and expatriate managers had different opinions of what would be required to make the implementation successful, and of the capacity for change in the local workforce, owing to their different experiences of the local culture, industrial relations, and employees' orientation to work. Local managers often sought to explain to their expatriate colleagues that the changes they were suggesting in some areas would not go down well, or as intended, with the local workforce. From the point of view of the expatriate managers, the locals would just be telling them that such and such a practice would not work well in Russia, without suggesting any alternative solutions. Expatriate managers felt they were left unsupported in their change initiative. The HR director said:

“The long-term view should be developed with managers. Russian colleagues pressurise us for short-term solutions. And long-term is important for the company because it is about a portfolio of knowledge and skills; focus on development is about the long-term.”

As shown in Table 7.5, the consequences of this situation were reflected in the lack of integration and consistency, and inconsistencies in the practices introduced to the company. Fragmentation of management led to inconsistencies in the implementation of practices. On the one hand, expatriate managers, having no spoken resistance from the local management, believed that the introduced practices had been implemented as intended. On the other hand the local managers, lacking an explanation of the practices, ignored the informal processes surrounded the change and treated them in a very formal way. As highlighted above, the managers

interviewed were very sensitive to the lack of a follow up on training. At the same time, they pointed out that in different departments the issue was given a different degree of attention: managers in the subsidiary differed in their attitudes towards this. The commercial manager said:

“It is possible to make subordinates believe in PDP and get them oriented towards development if year after year you come back to where you started. My first boss (the expatriate manager) came back to what we discussed and identified year after year. Then I had a boss who did not believe in competencies and their importance for career development, and we did not have any PDP.”

This was supported by the HR manager (supply chain and remuneration) who maintained that:

“Feedback meetings are very important in development. Still people differ in terms of their attitude to this: whether the boss follows up on training depends a lot on his or her personality.”

Furthermore, as shown in Table 7.5, constant changes at the board level (during the fieldwork the composition of the board was changed three times) as well as on-going changes in the company (for example, the purchase of the Best Foods company) led to some difficulties in establishing communication and shared understanding between the local nationals and the expatriates. Besides, the “quality” of expatriate managers sent to direct the organisation and their attention to management practices led to compromise from the point of view of the locals (the view expressed by nearly 60 per cent of the interviewees). The company TPM-SHE manager argued:

“The Eastern Europe group in Unilever was always separated (not really integrated) from the rest of the company. Unilever managers in Eastern Europe were not the best ones. Still, corporate culture is very important, and expatriates are needed to bring and develop this new culture. They have to be chosen carefully.”

As described above, central to the change process had been the intention to introduce a TPM culture within a context of team working and taking responsibility for decision making. Such a change initiative requires consistency of approach and thinking at all levels if it is to be sustained effectively. However, as shown in Table 7.5, short-term contracts and constant turnover of expatriate managers, plus the lack



of consistency in actions as the subsidiary evolved resulted in much fragmentation.

The MRP manager said:

“I can give many examples when approaches or procedures were changed with the arrival of a new boss; new processes were created, and the old ones had to be forgotten. The structure (of the organisation) changes every year. There is no interest in the way the job was done before: new managers – new approaches. They arrive in a middle of the year and then reports which are still not finished are of no interest anymore, and this new person introduces new ways of analysis. I don’t know how it is going to be this year, maybe I will need to forget about what I did before and start on a new thing, and then what about continuity? Any changes should be introduced carefully.”

All the managers interviewed believed that it was very important for an individual to become accustomed to a particular approach over a period of at least two to three years, and even “if the boss was changed this person should continue with what he or she had learnt and become used to.”

The lack of consistency in the implementation of the practices transferred was caused not only by the short-term contracts of the expatriate managers but was also due to differences in their attitude to practices (Table 7.5). The commercial manager recalled:

“I joined the company as a management trainee. At that time, the management trainee programme had just been introduced: we were guinea pigs in this programme. Many people like our finance director (the expatriate manager) did not believe in the programme because, having seen so many changes during their life in the company, they had become cautious about new initiatives.”

Relationships between levels in the management hierarchy were important in developing a coherent approach to the content and process of change. As Table 7.5 shows, where the management team was inconsistent in the values they espoused and the management style they displayed, inconsistencies arose in the way practices were implemented, and this challenged employees' expectations. As evidenced from interviews, expatriate managers across all departments and sections of the subsidiary displayed a significantly different style of leadership to the local managers. The local managers were mostly directive and authoritarian in their style and were wholly task-orientated. They tended to lack the social facilitatory skills required of team leaders

and did not appear to have internalised the wider philosophy of, for example, teamwork – the view expressed by both the local and expatriate managers interviewed. At the same time, the expatriate managers were seen as a loaf by the locals. The commercial manager explained:

“(The expatriate managers) value intelligence, the ability to keep up with a conversation. This makes it difficult for less educated people to work in such an environment.”

According to 80 per cent of the interviewees, an important feature of the “old” managers’ behaviour, which significantly disturbed attempts to develop new values in the workforce (such as team working) was their reliance on tried and tested ways of getting results. Thus, these managers appeared less committed to supporting a change in organisational culture than to short-term output targets for which they were responsible. This often led to the frustration of employees, who could see the inconsistencies between the espoused values of the company and the behaviour of their superiors (Table 7.5). The importance of a strong link of shared values down the organisational hierarchy and trust in the implementation of planned change were also stressed by the interviewees. Thus, the company TPM-SHE manager argued:

“We created a team of supporters of the new initiative in order to promote TPM. It was very difficult to gain support from the (factory) director because he was afraid of this initiative. He thought it was against his former colleagues (e.g. the production manager). He knew these people and had worked with them for many years. For him we were his new team. He did not trust us at first but at the same time he understood that this initiative was driven by the company. Slowly we gained his trust as we proved our loyalty to him.”

Furthermore, there was discontinuity in the chain of command due to the lack of communication between different levels in the organisation, particularly between the top management team and the other management tiers in the company. The following comments were not unusual during the interviews. The operations manager HPC said:

“Currently our directors make decisions given the needs of the future and they do not explain these decisions to us. Communication is a real problem. ... Cascading and sharing information is very important, particularly at initial stages. People just don’t know what is happening at lower levels. There



shouldn't be many initiatives but what is important is the involvement of those who are going to implement them."

Both the expatriate managers and the locals agreed that communication was very problematic in the company. Despite the HR director's claim that "communication is high on the agenda. We are no longer talking *to* people but *with* people", the HR manager in St Petersburg complained:

"Communication within the company is very poor. Before there were team briefs and management conferences which we don't have nowadays. It is very seldom that information is communicated. We don't have a bigger picture. In private conversations we get to know that people don't know much about the company. At the same time, explanation is the key to success."

The reasons for this were often given as the lack of time and the high pressure of urgent changes.

This section has discussed the ways in which Unilever sought to transfer its practices to the subsidiary. It has been argued that difficulties with the implementation of the practices transferred arose because Unilever transferred its organisational structural features; that is, it transferred formal MD structures and systems and established management hierarchy and management teams. However, the transfer of structures was not supported by the transfer of processes. The unintended consequences of this have been increased misunderstanding and misuse of the practices transferred.

## **7.12 Unintended consequences**

As shown in Table 7.5, the lack of understanding of and trust in the good intentions of the company led to the unintended consequence that managers became cynical of management initiatives. A major worry about practices introduced was their possible misuse. The interviewees were all the time expecting "negative consequences" and were afraid of the new initiatives. Thus, the company TPM-SHE manager commented about the newly introduced practice of ranking:

"Unilever has introduced a new practice - ranking. This is to identify the best 15 per cent of the managers in the company and the worst 15 per cent (in order to get rid of the latter). Of course,

the company wants to know its best people, but if they (top management) want to fire somebody they would fire them anyway; there is no need for them to wait until the results of the ranking. But ranking will never work (in Russia) because it will be misused in order to settle a score with the disliked.”

The QA manager expressed a similar view:

“They (Unilever) want to measure us all the time. I don’t know what to expect from these new practices ... What matters is the way they are going to be introduced and applied (i.e. for what purposes).”

This view was also expressed by the supply chain distribution planning manager:

“People are cynical now: there is no longer true loyalty to the company like there was before (in the USSR) when everyone was ready to give everything for it ... we (Russians) don’t take anything at face value and always look for a hidden agenda, something negative. This is because people had so many changes and initiatives and we have memories of these initiatives. We still remember them.”

The HR director believed that consistency and trust would be achieved simply by the introduction of the “right tools”, but the data from the interviews with the locals confirmed that just having formal structures in place did not necessarily mean they were implemented and used in a way the parent company would like. As shown in Table 7.5, the neglect by Unilever of informal processes during the transfer of its management and MD practices increased the locals' feelings of insecurity about their future in the company, which in turn made them revert to familiar ways of behaving and relating. The commercial manager commented:

“They (Unilever) are talking about coaching, but everyone has subordinates with whom you like to be in touch and those who just drive you crazy. To make it formal (coaching) is in many cases not possible because it is difficult to coach a person you don’t like in management skills.”

This section has shown that people were very sensitive to the ways in which the transferred practices were implemented and used in the subsidiary, thus further stressing the importance of processes.



### **7.13 Conclusions**

The following conclusions can be made on the basis of the discussion presented above. It provides an interesting context in which the evolution of an overseas subsidiary is examined with the focus on how parent company systems were transferred, adapted, and sustained over time. The findings from the interview data indicate that the transfer of management and MD practices by Unilever to its Russian subsidiary was accompanied by tension and misunderstanding.

The case study emphasises the importance of local context in introducing new forms of management systems and work organisation within a multinational company. It illustrates that the change processes that took place across the subsidiary and the implementation of new management systems and MD practices were significantly influenced by the local context. Practices were implemented with difficulty primarily because they came from a very different institutional environment. Secondly, the introduced practices challenged the traditional way of working and relating in Russia. These contextual factors influenced the consequences of the management systems introduced.

Tension was intensified by the way the parent company tried to introduce its practices to the subsidiary. The case study identifies the criteria which affect success in introducing new practices, referred to as the mechanisms of transfer. The importance of processes in which parent company expectations and control over activities were translated and explained were particularly stressed. The case highlights that the differences in approach to management between the locals and the expatriates were not resolved. Furthermore, the lack of shared values and continuity in the process of transfer lead to inconsistencies in practices implemented in the company. The findings also illustrate that an unintended consequence of the way Unilever introduced its practices was employee disillusionment with new management systems.

---

---

# CHAPTER 8: Discussion

---

---

## 8.1 Introduction

The chapter discusses the key findings of the research and their implications. It considers the findings in relation to debates in the literature on MD and specifically debates concerning the transfer of MD practices across institutional contexts. It considers whether the transfer and structuring of MD around a system, which aims at the development of a homogeneous management cadre is possible. The research questions addressed in this research developed out of the literature debates (e.g. Hickson and Pugh, 1995; Hendry, 1996) reviewed in the thesis which argued for a more contextualised analysis of the process of transfer of management and MD practices within MNCs. As discussed in the literature review there is a gap in the literature on MD, given its “tendency to apply universalistic nostrums” (Storey, 1990) by advancing the search for universal practices for development of global managers. In contrast, this thesis argues that, due to the difference in institutional and cultural environments, management processes are likely to be different in different countries, even if similar formal structures are established (Storey, 1990; Marginson and Sisson, 1994; Broad, 1994). Debates in the literature stressed another under-researched issue that is how political processes may impact on the transferability of MD models and practices (Edwards et al., 1993). The aim of the research presented in this thesis was to examine the influence of context on the nature of MD practices. It also sought to examine the ways in which MNCs seek to transfer practices as well as supporting processes to subsidiaries. Specifically the research aims were:

1. to examine the influence of institutional context on the nature of MD practices and the ways in which MD practices develop;
2. to examine the influence of institutional context on the ways in which MD practices are transferred and received in MNCs;



3. to examine other factors shaping MD practices and their transfer process in MNCs

The first part of the research focused on the literature review. Here there was an analysis of factors that were likely to intervene in the process of transfer of management and MD practices within MNCs. The literature review has highlighted the social and cultural embeddedness of managerial roles and practices (Child and Kieser, 1979; Hendry et al., 1988; Scarbrough, 1998). It has also identified a number of factors that structure and influence management and MD practices, and therefore, might impact on the process of transfer of practices within MNCs (Hendry and Pettigrew, 1992; Whitley, 1989; Storey, 1990). The literature suggests that distinctions in MD reflect matters of relative importance and national emphasis (Sparrow and Hiltrop, 1994; Whitley, 1999). Therefore, models for MD developed in one country may not easily translate to another because of the different traditions and values of the management and workforce. The role of the national institutional environment in the transfer processes has been debated in the literature (Brewster and Larsen, 1992). When practices are transferred, they may not fit with the institutional environment of the recipient country, which in turn may be an impediment to transfer (Kostova, 1999). Furthermore, the existing relationship between different components of MD and features of national business systems may either stimulate or dampen the adoption of MD practices (Evans et al., 1989; Larsen, 1996; Lazonick et al., 1997).

The issues raised from the literature reviewed were taken into account in developing a research framework. The framework developed in the thesis (Chapter 3 – Figure 3.1) emphasises the nature of MD practices, the contextual, institutional and historical factors influencing the development of distinctive MD practices and the mechanisms and processes surrounding the transfer of these practices to the subsidiaries. The framework highlights how the views of MD held by an organisation are influenced by the organisations social embeddedness within a particular context. The framework of study also acknowledges how these views on MD may also be influenced by industry-specific features, organisational history, organisational culture, and management systems. The framework highlights that organisations cannot be understood separately from the national contexts in which they are embedded. Therefore, the views of UK organisations and Russian organisations on what MD is about may vary and be explainable by

reference to the context in which their own management systems developed. The way to analyse the influence of national institutional contexts on the strategies and structures of firms and their MD models has been suggested (Figure 3.2). Drawing on the work of Whitley (1999) and Hall and Soskice (2001) it is argued that the structuring of MD by national context can be analysed by examining the nature of the state, financial system, trust and authority relations, and skill development and control systems that may lead to distinctive MD systems. The notion of contextual rationality (Morgan, 2001: 9) has been stressed arguing that there is no essence of rationality that is context-independent and that there is a need to study the internal dynamics of the process of transfer.

The literature reviewed has also raised the issue of methodological gaps in studies of MD processes (Cool and Lengnick-Hall, 1985; Storey, 1990; Stewart et al., 1994). The importance of contextual analysis of the transfer of MD practices has influenced the choice of research methodology in this study. Historical and longitudinal case studies were considered to be the most appropriate methodology to provide an in-depth understanding of the subsidiaries' internal dynamics in the transfers of management and MD practices. The study has not only identified what practices were transferred and by which mechanisms, but also has focused on processes which accompanied the transfer. Specifically, this research looked into how the practices transferred were received, resisted, misunderstood, and sustained in subsidiaries.

The analysis of institutional contexts in the UK and Russia was used in this study (Diagram 1 and Diagram 2 in Chapter 5) in order to identify "ideal-type" MD practices in these two countries. These diagrams linked the process of development of dominant firms within their historical and institutional environment and their MD practices. In order to generate hypotheses the analysis of "ideal-type" MD practices in the two countries was done (Table 5.4). Comparison of the "ideal-type" MD practices in the UK and Russia highlighted significant differences in practices in each of the four MD areas of recruitment, training and development, career management, and rewards and appraisal. Specifically, the analysis identified significant differences in the degree of central co-ordination of MD activities (as identified in Table 5.4, MD activities in Russia were co-ordinated centrally by the state); the focus on development of general management skills in the UK in comparison with preoccupation of technical skills development in Russia; and, finally, the emphasis on long-term internal labour market



development in Russia versus a short-term orientation on the purchase of available skills externally in the UK. The analysis revealed that these differences were reflected in the four MD areas and specified distinctive features of the “ideal-type” MD practices in the two countries. Thus, the “ideal-type” recruitment in Russia assumed reliance on the internal labour market and therefore, promoted life-long job security. In contrast in the UK, the “ideal-type” recruitment practices, as identified in Table 5.4, implied reliance on external labour markets and therefore, promoted high inter-firm mobility of managers. Whereas, the “ideal-type” training and development in Russia assumed strong central co-ordination and focus on development of specialists through formal training schemes, in the UK it was exactly the opposite, and the “ideal-type” training and development implied little or no central co-ordination and the focus on development of general management skills. Further, whereas in Russia the “ideal-type” career management promoted sector-based career progression and linked career progression to functional skills improvement and upgrading where the whole process was co-ordinated and managed by the state, in the UK the “ideal-type” career management stressed the individual’s responsibility for career progression and implied career progression via inter-organisational / inter-sectoral moves. Finally, the “ideal-type” rewards and appraisal in Russia was linked to long-term employment where rewards were based on the amount of standard outputs produced by each incumbent. In contrast, in the UK the “ideal-type” rewards and appraisal practice assumed status-wage differentiation based on job classification and it was tied to short-term performance measures.

The analysis of the differences presented above helped to generate the first hypothesis in this study. Thus, the hypothesis was that the transfer of MD practices by two British-based MNCs into their Russian subsidiaries might be accompanied by tension and resistance given that the practices transferred represented challenges to traditional ways of working and relating in Russia because they were associated with an alternative management system developed in a different environment.

Secondly, the analysis of current macro-economic changes in Russia was done in Chapter 5. This analysis revealed changes in the economic context in Russia with resultant changes in the managerial role and tasks. Thus, the second hypothesis in the thesis was that changes in institutional environment and economic actors in Russia and the presence of foreign direct investments might provide a favourable environment for

possible change and therefore, the acceptance of the practices transferred. Finally, the perpetuating influence of value system and national culture on managerial behaviour in Russia was examined and the third hypothesis in this study was that this influence might represent an additional challenge to the transfer. All these hypotheses were tested in the empirical chapters where MD practices adopted by Cadbury Schweppes and Unilever were discussed, and the processes of transfer of management and MD practices within these MNCs were presented. The major findings are discussed in section 8.4.

The aim of this chapter is to review the principle findings contained in this thesis and consider their implications. This chapter aims to assess how this investigation has contributed to the development of a better understanding of HRM issues within MNC subsidiaries. The chapter summarises the main findings of the thesis, considering the impact that the introduction of MD practices had on the two case study companies. The key findings of the two case studies are compared, investigating their differences and similarities. By means of this analysis, an attempt is made to establish how societal conditions affect the transferability of MD practices. Importantly, it should be noted that national environment is mediated through organisational context, i.e. national influences are not monolithic but vary across organisations involved in the research.

This is then extended to consider the theoretical implications of the findings of the thesis. The chapter concludes with the statement that the problems encountered by the MNCs in this study challenge the notion that there is or can be a uniform system of MD that will work everywhere. Instead, the traditions of Russian MD and management practices are found to exert considerable influence on the process of transfer. Furthermore, the influence of context has been intensified by the ways in which the multinational companies transferred and sustained their practices in their subsidiaries.

By analysing the nature of MD practices in organisations with international operations, this thesis has stressed the contextual embeddedness of MD practices. It has also identified a number of factors which influence their transferability. First, the thesis has identified that MD practices are structured by their national context in which they develop. However, as stressed in the thesis, this influence is not deterministic. The thesis has identified a number of other factors, apart from institutional context that shape MD practices in MNCs. These factors include the business environment and the development of industrial sector in which MNCs operate, and the organisational history,



organisational culture and management philosophy and organisation. Secondly, the thesis has found that organisational context shapes the ways in which MNCs seek to transfer their MD practices as well as supporting processes to subsidiaries. It has also highlighted that national and social context in the subsidiaries influence the ways in which the transferred practices are received. An important contribution is that the thesis has shown the significant importance of internal processes related to providing interpretation and creating meaning for the practices transferred. These processes were seen to provide an important role in the successful transfer and sustaining of practices. Therefore, the thesis has stressed that work practices are more than just a series of separate techniques but they also involve processes related to establishing relations, creating meaning and exercising power.

## **8.2 The influence of context on MD in two British-based MNCs**

The influence of context on MD processes has been studied in this thesis by researching the influence of the institutional context on the nature of MD practices and the ways in which these practices developed in two MNCs – Cadbury Schweppes and Unilever. The case study chapters analysed the patterns of development of these MNCs within the British national business system. The analysis showed the implications of this development for the MD models adopted by these companies. Table 6.1 and Table 7.1 in the case study chapters explained that the MD models and MD practices in these companies were shaped by factors including the business environment and the development of the industrial sector in which the companies operated, and by their administrative heritage that is the administrative history of the company, its organisational culture and management philosophy.

Table 8.1 compares and contrasts differences and similarities in the MD models adopted by Cadbury Schweppes and Unilever respectively. The MD models are analysed along the dimensions developed in Chapter 3 (Figure 3.2). The comparative analysis is carried out of the approaches to development of organisational capabilities, bases of responsibility for development, co-ordination mechanisms, and structures and processes in MD in these MNCs.

Table 8.1 The MD models in Cadbury Schweppes and Unilever compared

	Development of organisational capabilities	Bases of responsibility for development	Co-ordination mechanisms	Structures and processes
Cadbury Schweppes	Life-long learning approach to development;  Focus on early identification and development of potential	Development should be driven by the individual;  Company helps to guide development by providing tools and services	Business units run their own systems of MD that vary sometimes considerably;  The role of HQ is to provide services (not to control) to business units;  Intensive support in establishing HR systems in new businesses	Competency-based approach to recruitment, training and development;  Emphasis on on-the-job training;  Structured approach to development (development guides; performance management system)
Unilever	Differentiated approach to development of different categories of managers;  Focus on early identification and development of potential	Development is monitored by the company;  More passive role of the individual in development process – development depends on performance	Centralised co-ordination of human resources planning process;  Development of potential is strictly monitored by HQ  Reliance on incremental introduction of MD practices to new businesses	MD is based on “job classes” system  Intensive formal training;  Importance of informal networks

Comparison of the MD models adopted by the two MNCs (Table 8.1) identifies similar features such as, for example, the focus on early identification and development of potential. This feature is consistent with what was identified as the “ideal-type” MD practice in the UK (Diagram 1 in Chapter 5), and may be attributed to the influence of the national context on the ways in which MD developed in these MNCs. The analysis of interdependences between specific characteristics of the British national business system and those of dominant firms developed in this system (Diagram 1) showed that market-based owner control and limited employer-employee interdependence in dominant British firms implied high levels of managerial integration, and the approach to development where selected high potential managers are developed through general management training schemes. As suggested in the literature (e.g. Whitley, 1999, Hendry et al., 1988), it is not uncommon for a British firm to develop its organisational



capabilities by focusing on the development of selected managerial cadre, and by development of general management skills.

The “ideal-type” MD model in the UK, as described in Chapter 5, also implied the individual’s responsibility for development, limited co-ordination of MD activities and the lack of structured approach to MD (e.g. Storey 1991). Table 8.1 shows that differences exist between the MD models in the two MNCs studied. Differences also exist between the MD models of the two MNCs and the “ideal-type” MD model in the UK.

First, as the MD models in Cadbury Schweppes and Unilever differ considerably in the degree of central co-ordination of MD activities. The case study chapters showed that whereas in Cadbury Schweppes business units ran their own MD systems that varied sometimes considerably, in Unilever the centralised co-ordination of human resources planning was applied. Furthermore, the role of head office in Cadbury Schweppes was more about providing services to business units rather than, as it was the case in Unilever, to strictly monitor development of high potential managers. In this sense the MD model in Cadbury Schweppes resembled more that of the “ideal-type” British MD model. On the other hand, the companies differed in terms of their approaches to the introduction of MD activities in their overseas locations. Thus, whereas Unilever relied more on the incremental introduction of its practices to new businesses, Cadbury Schweppes provided an intensive support in establishing HR systems in their new businesses. As discussed in the case study chapters, these approaches were shaped by the history and management philosophy of each company.

Secondly, as shown in Table 8.1, there were differences in the key MD processes and structures in the two MNCs. Thus, differences existed in approaches to training. Whilst Cadbury Schweppes emphasised on-the-job training, Unilever favoured more intensive formal training. Furthermore, both companies applied a structured approach to development. This was different to the “ideal-type” MD practice in the UK. Thirdly, whereas MD in Cadbury Schweppes assumed a more active role for the individual in driving his or her own development which is consistent with the “ideal-type” MD practices in the UK, in Unilever development was seen as a shared responsibility, and the company played an important role in structuring development.

The differences in the MD models adopted by Cadbury Schweppes and Unilever which have been discussed above can be attributed to the influence of the companies' organisation context. As highlighted in the case study chapters, the MD models in these MNCs were shaped by the business environment and the development of the industrial sector in which these MNCs operate, as well as by their administrative heritage (Table 6.1 and Table 7.1). The way MNCs developed within their industrial sector and its influence on technology and employment practices, the philosophy of founders which shaped management philosophy in the company, as well as early internationalisation and the pattern of development through mergers and acquisitions which influenced the organisational structure and shaped relationships between head office and different business units – all had serious implications in influencing MD in these MNCs. The differences in the MD models identified in this section support the argument available in the literature (Hendry et al., 1988; Storey, 1989; Hendry and Pettigrew, 1992) of organisational context influencing the perception and use of MD in different companies.

The influence of institutional context on the nature of MD practices in MNCs was also examined in this thesis in the case study chapters where MD practices and systems in British subsidiaries of the two MNCs were analysed. The analysis of MD practices adopted by the British subsidiaries of Cadbury Schweppes and Unilever and the comparison of these practices with the “ideal-type” British MD practices revealed many similarities as well as differences in practices (Table 6.2 and Table 7.2). Table 8.2 on the following page highlights similarities and differences in MD practices employed in Cadbury Ltd and Birds Eye Wall's Ltd – the British subsidiaries of Cadbury Schweppes and Unilever respectively.

Similarities between MD practices in the two subsidiaries and with the “ideal-type” British MD practices included employing by both subsidiaries rewards and appraisal systems based on short-term performance measures and status-wage differentiation based on job classification, as well as the focus on development of general management skills. Furthermore, another similarity with the “ideal-type” British training and development practices was limited central co-ordination of training activities in Cadbury Ltd. These similarities between the practices employed in the two subsidiaries and the “ideal-type” British MD practices further highlight the influence of the national context on the ways in which MD practices developed in these MNCs. The analysis of influence of



institutional context on MD practices in the UK (Diagram 1) showed that market-based co-ordination of economic activities and the internationalisation of risks by firms in the UK implied short-term performance measures used for appraising and rewarding managers in British firms. It also limited co-ordination of training activities in the British firm (e.g. Storey, 1991; Whitley, 1999).

Table 8.2 MD practices in Cadbury Ltd and Birds Eye Wall's Ltd compared

	Recruitment	Training and Development	Career management	Rewards and Appraisal
<b>Cadbury Ltd</b>	Reliance on internal labour market for managerial recruitment;  Graduate recruitment;  Focus on early identification of potential	Little central co-ordination; co-ordination of activities in business units;  Focus on development of general management skills	Internal career progression;  Changes to transfer of responsibility for development to the individual	Rewards are tied to short-term performance measures;  Status-wage differentiation based on job classification
<b>Birds Eye Wall's Ltd</b>	Reliance on internal labour market for managerial recruitment;  Graduate recruitment;  Focus on early identification of potential	Co-ordination of training for potential;  Formalised system of training based on job classes;  Focus on development of general management skills	Internal career progression;  Shared responsibility for development	Rewards are tied to short-term performance measures;  Status-wage differentiation based on job classification
<b>"Ideal-type" MD practices in the UK</b>	Reliance on external labour markets for recruitment;  High inter-firm mobility of managers	Little or no central co-ordination of training activities  Focus on development general management skills	Career progression is mostly via inter-organisational / inter-sectoral moves;  The individual's responsibility for career progression	Rewards are tied to short-term performance measures;  Status-wage differentiation based on job classification

On the other hand, the analysis of MD practices adopted by the British subsidiaries of these MNCs and the comparison of these practices with the "ideal-type" British MD practices undertaken in the case study chapters revealed a number of departures from the "ideal-type" MD practices in the UK (Table 6.2 and Table 7.2). As shown in Table 8.2, these were the reliance on internal labour market for managerial recruitment and internal

career progression in both companies. Furthermore, in the subsidiary of Unilever, there was centralised co-ordination of MD for high potential managers. Also the company played an important key role in driving development of its managerial population. As shown in case study chapters, MD practices in Cadbury Ltd and Birds Eye Wall's Ltd were influenced by the ways in which these subsidiaries developed within their organisations and the relationships with their head offices, as well as by their management philosophy and organisation. Whereas in Cadbury Schweppes the role of head office was more of providing services in the area of MD to all different business units which all had different MD practices and systems, in Unilever, given its early international development through mergers and acquisitions, the role of the head office was more of controlling and co-ordinating key MD activities that were recruitment, training and development of potential.

Comparative analysis of the MD models and practices in two British-based MNCs presented in this section has identified a number of important findings. This research examined the influence of institutional context on the nature of MD practices and the ways in which MD practices develop in two British-based MNCs – Cadbury Schweppes and Unilever. The research identified how MD practices in these MNCs were structured by their national context. The research has also identified a number of other factors, apart from institutional context that shaped MD practices in these MNCs. As discussed above these are the business environment and the development of the industrial sector in which these MNCs operate, as well as their administrative heritage that is the history of the company, its organisational culture and management philosophy and organisation.

The findings discussed in this section support the argument available in the literature about the interdependence of MD and work processes and control practices as becoming established in different capitalist societies through their institutionalisation processes (e.g. Whitley, 1999; Hall and Soskice, 2001). The argument is, however, that the influence of the national context is mediated by the organisation context which shapes the perception and use of structures available. Given the interplay of different factors is stressed, it is possible to question the deterministic influence of national business systems on work practices and MD practices in organisations (Mueller, 1994; Hall and Soskice, 2001; Morgan, 2001).



### **8.3 The influence of context on the ways in which MNCs transfer their MD practices**

This research also aimed to examine the influence of context on the ways in which MD practices are transferred and received in MNCs. Table 8.3 compares the approaches used by Cadbury Schweppes and Unilever to transfer their MD practices into their Russian subsidiaries in this study. It also highlights the influence of the local context and the organisational context on the ways in which MD practices were transferred and received.

The substantial variations in the ways the two multinational companies introduced MD practices in their Russian subsidiaries can be attributed to the organisational context in the companies. As table 8.3 on the following page shows, heterogeneity characterised the functioning of both organisations in Russia: Unilever and Cadbury Schweppes chose a different entry strategy, i.e. the development of brownfield and greenfield sites respectively. Furthermore, whereas Cadbury Schweppes opted for focused transfer of its modern technology to the subsidiary, Unilever proceeded with incremental modifications of production lines. These companies also employed varying approaches and mechanisms for dissemination of their MD policies and practices. In Cadbury Schweppes a “pro-active” approach was used to transfer its MD practices through active use of expatriate managers with assignments to develop local managers and deliberate transfer of formal structures from the onset of subsidiary development. In contrast, as highlighted in Table 8.3, the strategy of “incremental change” adopted by Unilever to transfer its MD practices resulted in frequent changes in the management team and the incremental introduction of formal structures and practices.

Finally, the differences in the systems and mechanisms of control and co-ordination exerted by the headquarters had direct implications for MD issues in both subsidiaries. Unilever relied very much on centralised co-ordination of MD practices in some specific areas, such as training and development of potential. This, as highlighted in the case study, limited the subsidiary’s ability to address its local needs in MD. For example, there were very few training activities focused on development of general management skills which took place locally. In contrast, in Cadbury Confectionery they not only adapted the company list of competencies and on the basis of this developed their own list, but also introduced a number of training sessions to address their local needs in development of general management skills. The key difference, however, was that

whereas Cadbury Schweppes used expatriate managers to establish control and co-ordination of MD activities in the subsidiary and by this to build a shared work culture, Unilever lacked integration and consistency in implementation of the practices transferred because of frequent changes in the management team.

**Table 8.3 Transfer of management and MD practices within multinationals: approaches of Cadbury Schweppes and Unilever compared**

	<b>Mode of market entry</b>	<b>Transfer of practices</b>	<b>Priorities in transfer</b>	<b>Control and co-ordination exerted by HQ</b>
<b>Cadbury Schweppes</b>	<i>Greenfield site</i> Newly-built factory in the Novgorod region (away from the subsidiary head office);  Transfer of modern technology;	<i>Pro-active transfer</i> Deliberate transfer of formal structures and practices;  Active use of expatriate managers with assignments to develop local labour force;  Conscious and focused attempts to build shared work culture;	Defined by local context  Time pressure and business environment made the company speed up the introduction of practices	Special team assigned to build the local HR function and to introduce a set of rules and regulations specifying company policy;  Control and co-ordination exerted through expatriates
<b>Unilever</b>	<i>Brownfield site</i> Buying a large factory in St Petersburg as the base upon which to build company's activities;  Buying other factories in different regions;  Selective incremental modification on production lines	<i>Incremental change approach</i> Incremental introduction of formal structures and practices;  Often changes in management team; Use of expatriate managers	Defined by local context  Time pressure and business environment made the company change the desired course of actions	Tight control and co-ordination in specific areas (e.g. training and development of potential);  Lack of integration and consistency in implementation of practices transferred

As shown in Table 8.3, the local context affected the introduction of MD practices in the subsidiaries of both MNCs. Thus, priorities in terms of what should be transferred were defined by taking into account the development needs of the local labour force. In both companies due to time and business pressures exerted on the companies, the desired course of action could not be followed. However, whereas in Cadbury Schweppes they responded to these pressures by speeding up their transfer of MD practices, in the case of



Unilever, time pressure and the business environment forced the company to seek other solutions by bringing new MD practices to the subsidiary.

The differences highlighted reflect different managerial responses to the same labour and institutional environments and the industry context. The thesis has identified that organisational context shape the ways in which MNCs seek to transfer their MD practices as well as supporting processes to subsidiaries. This analysis reveals the possibility of different strategies within the same institutional and industry context - the argument long debated in the literature (e.g. Hendry and Pettigrew, 1992). The findings are important for this research because they show how despite the same pressures of the broader context, the outcomes in terms of MD issues are very different. Furthermore, these findings suggest selectivity in the transfer of organisational values and operational capacities to fit local labour and product markets. Therefore, they support the view available in the literature (Smith, 1995) that the existence of differences in approaches to transfer of MD practices reinforces existing patterns of diversity rather than leading to a homogenisation effect.

## **8.4 Factors shaping MD practices in subsidiaries**

The research also aimed to examine other factors shaping MD practices in subsidiaries of MNCs. Table 8.4 on the following page highlights the influence of context on the transfer of MD practices within MNCs. It stresses that this influence should be seen at both levels – the national context and the local/social context in the subsidiary. It also shows other factors which either intensify or reduce misunderstanding in the process of transfer. The following sections discuss what is summarised in Table 8.4 in detail.

### **8.4.1 The influence of institutional context on the nature of MD practices and the process of transfer**

A hypothesis in this study (Table 5.4 and Diagrams 1 and 2) was that of potential clash between the “ideal-type” MD practices developed in the UK and those developed in Russia. The research undertaken in this thesis focused on the transfer of four MD practices – recruitment, training and development, career management, and rewards and

appraisal – within two British-based MNCs to their Russian subsidiaries. These MD practices were brought by MNCs to support the introduction of their management practices by structuring behaviour of the local managers. However, the case study chapters gave many examples of tension and misunderstanding that accompanied the process of introduction of MD practices by these two British-based MNCs into their Russian subsidiaries. As discussed in these chapters (Table 6.3 and Table 7.3), this tension was due to the fact that the transferred practices represented challenges to traditional way of working and relating in Russia.

Table 8.4 Transfer of management and MD practices within multinationals: factors responsible for unintended consequences

	National context	Local / social context	Factors which intensified / reduced misunderstanding
Cadbury Schweppes	Practices transferred represent challenge to traditional practices;  Undergoing transformation in national institutional context	Greenfield site – more homogeneous labour force;	<i>Misunderstanding is reduced by:</i> <ul style="list-style-type: none"><li>• focused transfer of key practices;</li><li>• consistency in implementation</li><li>• clear understanding of the role of expatriate in developing in-company culture;</li><li>• sensitivity to local needs helps developing and maintaining trust relations</li></ul>
Unilever	Practices transferred represent challenge to traditional practices;  Undergoing transformation in national institutional context	Brownfield site – heterogeneous labour force;  Lack of shared work culture;	<i>Misunderstanding is intensified by:</i> <ul style="list-style-type: none"><li>• Not enough explanation given to the practices transferred;</li><li>• Inconsistency in implementation of practices</li><li>• Lack of trust between the expatriate managers and the locals</li><li>• Incremental introduction of practices</li></ul>

An interesting finding in the thesis is that, though the introduced MD practices were alien to the Russian context, they did not represent challenge to the same degree. The case study chapters showed that the introduction and implementation of two MD practices – training and development and career management – were particularly difficult. The practices introduced developed in a different context (Diagram 1 and Table 5.4), and they implied the individual’s responsibility for development, elimination of



structured career progression, and focus on development of general management skills. These practices were resisted and misunderstood by the local managers in both subsidiaries. The longitudinal study confirmed that this situation persisted. Several of the local managers interviewed had similar views to one of the operations managers, HPC, in the Unilever subsidiary who argued:

“We have different understanding in Russia (than in the West) of what would motivate people and lead them. I know that I have good technical skills and I am able to understand complex technical problems or just do a repair work. My people respect me for this. My secret of successful work as a manager is my expert knowledge.”

Furthermore, the longitudinal case study also gave examples where the interviewees discussed difficulties related to taking responsibility for their own work and development by the local managers. For example, the HR manager in the Unilever subsidiary said:

“Our (people) are not ready yet for changes in management structure and practices. This is because they would be required to take more responsibility for their work and development.”

For the interviewees training was linked to their status. For example, the commercial manager said:

“Employees here are very conscious about training. Everyone wants to have training; it is about social status.”

This view was further developed by the supply chain distribution planning manager:

“Status for Russian people is more important than money. Status is about recognition of your knowledge, your results, etc. The problem was that people worried about not being recognised, not being appreciated.”

As highlighted in the case study chapters, misunderstanding and tension were particularly acute in the subsidiary of Unilever where there was a more heterogeneous labour force with many managers especially in production came through the acquisition of the brownfield site by the parent company.

In examining this by drawing on the contextual embeddedness of the firm it may be argued that training and development has always been more closely linked with managerial status in Russia than, for example, recruitment or rewards (e.g. Lawrence and Vlachoutsicos, 1990; Puffer, 1994). The literature review (Diagram 2 and Table 5.4)

indicates that the technical aspects of the managerial role have been given more importance in Russia since it helped to legitimise status through expertise (Lawrence and Vlachoutsicos, 1990; Warner et al., 1993). Therefore, Russian managers in the case studies were very keen on increasing their knowledge base, particularly their technical and professional expertise as it would give them a proper status in the eyes of their subordinates by being more knowledgeable. These managers were aware of their boundary of knowledge, and though they understood the need to have broader (managerial) knowledge, they feared losing technical expertise. Also the emphasis on development of functional skills was due to the fact that in the USSR career progression was linked to functional skills improvement and upgrading (Diagram 2 and Table 5.4).

As described in Chapter 5 (Table 5.4), in the USSR managers had a structured and planned approach to training and development and career progression. Russian traditions in training, which grew out of a particular educational model of vocational training, implied that training was heavily regulated and more in line with an approach wherein assessment was geared around a mastery of the theories conveyed in the classroom. The preference given by the local managers to formal training was among other findings in the case study chapters.

The influence of value system and national culture on the behaviour of Russian managers was also stressed in the thesis. The case study chapters gave examples of difficulties related to the introduction of team working practice in Russian subsidiaries of the multinationals. As highlighted in the literature, (Schneider, 1986; Botti, 1995), practices, in order to be implemented successfully in foreign subsidiaries, have to be consistent with and take into account the different assumptions and value systems of the national cultures of those subsidiaries. The case study chapters showed that the team concept in its western interpretation was not easily understood and accepted by Russian managers. A particular model of group working was responsible for this when the leader controlled all processes in a team and ultimately made a decision (Puffer, 1994; Shekshnia, 1998; Kimpelainen and Tolstaya, 1999). The introduction of team working practice in the Unilever subsidiary required changes in managerial role and style. Thus, it was resisted particularly by “old” managers who stayed in the company following its acquisition. As shown in the case study, these managers feared losing power and influence with the introduction of this practice.



As discussed above, the introduction of training and development and career management practices challenged traditional ways of working and relating in the Russian subsidiaries of two British-based MNCs. As shown in Table 7.4 in Chapter 7, misunderstanding and tension which were identified in the transfer of these two practices were further intensified by the local/social context in the subsidiaries.

On the other hand, the introduction of another MD practice – managerial recruitment – was less resisted by the local labour force. The influence of context on managerial recruitment was that both MNCs had to alter and adapt this practice in order to use it successfully in Russia. This adaptation and alteration was mostly in terms of sources of recruitment. Also companies faced recruitment at different levels. On the other hand, as highlighted in Table 7.4 in Chapter 7, the local labour market, especially in Moscow and St Petersburg, provided a more favourable environment for the transfer of this practice. Thus, the reputation of multinationals facilitated recruitment; also, given the presence of other MNCs, the labour market could offer people with experience of working in other multinationals; finally changes in the economic environment led to a situation where highly educated people formerly employed by military industry were seeking employment elsewhere. As described in the thesis profound macro-economic changes underway in Russia led companies to face changes in their internal labour markets, due to which many employees were released on to the external labour market. Also, as highlighted by the longitudinal case study, it was possible for Unilever to change the focus of recruitment to graduate recruitment over time.

The findings discussed in the sections above (sections 8.3 and 8.4.1) have addressed the issue of transferability of MD practices. A number of factors have been identified that influenced the transfer, including the organisational context which shaped the ways in which two British-based MNCs transferred their practices to their Russian subsidiaries. As discussed in section 8.3, the mode of entry, mechanisms and structures used to transfer practices, and the systems of control and co-ordination exerted by the headquarters – all had direct implications for MD issues in subsidiaries. The findings discussed in section 8.4.1 have highlighted the influence of the host country context and the local/social context in the subsidiaries on the ways in which the transferred practices may be received in subsidiaries.

These findings have emphasised the importance of the wider context in influencing how alternative management systems may be received. They also support the view in the literature (e.g. Sorge 1996; Tayeb 1994) that societally-specific features work against the establishment of a single standard pattern of work organisation throughout a sector across institutional boundaries, with local conditions mediating the adoption of management systems from elsewhere. Furthermore, these findings suggest that whilst within multinationals pressures for homogenising managerial cadre exist through attempts to transfer their practices, the local context influences how multinationals' management practices transfer across business systems and with what outcomes (Whitley, 2001; Kristensen and Zeitlin, 2001).

An interesting finding in this thesis is that not only what is transferred is important but also how practices are transferred. The importance of the ways in which practices were transferred was particularly noticeable in relation to the introduction and implementation of the fourth MD practice – reward and appraisal. Thus, inconsistency in implementation of this practice made the local managers critical about the use of this practice, which was particularly the case in the Unilever subsidiary. This indicates the importance of processes for successful implementation of the practices transferred in subsidiaries. The thesis has identified that other factors related to the ways in which practices were implemented in subsidiaries influenced their transfer and the ways in which they were received in these subsidiaries. These factors are the topic of section 8.4.2.

#### **8.4.2 Other factors which shape the transfer of MD practices**

As Table 8.4 shows, there were a number of factors which either reduced or intensified misunderstanding in the transfer process. An important factor was whether practices were introduced incrementally or their transfer was more focused on bringing key practices into place from the onset; also whether the transferred practices were implemented in a consistent way; and finally, the role of expatriate managers in the transfer process. As shown in the case study chapters, these factors were related to the internal functioning of the subsidiary (e.g. Table 7.5). The influence of context was either intensified or reduced by the ways in which the two MNCs sought to transfer and



sustain their practices in their subsidiaries. Therefore, the following sections look at internal processes which influenced the transfer.

#### **8.4.2.1     *Consistency in implementation***

The thesis showed that the lack of consistency in implementation of the practices transferred created significant barriers to the internationalisation of new forms and values of the practices transferred. Thus, the case study chapters gave a number of examples of problems related to discrepancy between the official organisational language and reality. For example, the importance of general management skills was emphasised, however, the company system in the subsidiary of Unilever appraised managers on the achievement of functional objectives, thus driving managers to pay more attention to technical issues rather than to the development of their general management skills. Further, in the subsidiary, decisions concerning training events for an individual were made at the discretion of the manager's immediate superior rather than on the basis of the training needs analysis of the individual. Managers were frustrated by what they perceived as a facade of two-way discussion or by the absence of follow up on training which led them to feel the plans had been forgotten as soon as the training plan was signed and approved.

Previous research on multinationals has noted the significant role of expatriate managers in the co-ordination and control of activities. In the literature (e.g. Prahalad and Lieberthal, 1998) it was argued that it was possible that expatriates transmitted the internalised norms and values underlying the form of work organisation through multiple channels, including formal organisation structure, informal reporting relationships, formal and informal communications, instructions, training, and advice, and their own example. However, as highlighted in the case study of the Unilever subsidiary, misunderstanding and tension were due to the fact that the expatriate managers hadn't done enough to help the Russians to understand the practices transferred. Whilst in Cadbury Confectionery expatriate managers had clear assignments to help to develop the locals to become their successors, in Unilever there were no such assignments. Furthermore, the empirical data from the Unilever case suggested that there was more inconsistency in implementation of the practices transferred than in the case of Cadbury

due to the same reason. Furthermore, fast rotation of expatriates in the Unilever subsidiary negatively influenced staff motivation and trust relations.

#### **8.4.2.2     *The importance of shared values and communication***

The importance of a strong link of shared values down the organisational hierarchy in the implementation of planned change was particularly stressed in the literature (Sharpe, 2001; Kristensen and Zeitlen, 2001). The differences in approach to management between the locals and the expatriates in the cases led to inconsistencies in practices implemented in the company amongst the subsidiaries' management. This was particularly visible in the subsidiary of Unilever. As highlighted by the case study, the outcomes of the incremental introduction of practices in the subsidiary of Unilever were contradictions in management and MD practices. The case study showed that the transferred MD practices were translated, mediated, and sometimes ignored by the subsidiary management, including the expatriate managers. The reasons for this situation were the lack of communication, trust and shared understanding between the expatriate and the local managers.

The case study chapters showed that both Cadbury and Unilever brought their MD practices based on the use of competencies. However, the longitudinal case suggested that there were many misunderstanding and the misuse of competencies in MD practices due to differences in interpretation of competencies. As suggested in the literature, competencies are culturally and linguistically specific (e.g. Trompenaars and Woolliams, 1999). The authors argue that competencies developed in Anglo-Saxon countries, and thus are often "ethnocentric." Therefore, problems in the case study were when behaviours described by competencies were required to be displayed by managers in an alien environment. The example of difficulties in translation and misunderstandings, which accompanied the process of implementing competencies in the Unilever subsidiary, clearly demonstrated the influence of Russian national culture on interpretation of those qualities. At initial stages of the implementation of managerial competencies some of them could not be accepted by the Russian managers, given their negative connotation within the national culture. For example, the competency such as "influencing others" could not be accepted by the local managers, as they could not



understand why they were required to ‘manipulate others’ – this was the way they understood the behaviour required by this competency. The case study chapter gave a number of examples where the local managers expressed their concerns about this practice. First they were concerned about misunderstandings related to differences in interpretations of competencies. Thus, the commercial manager argued:

“The major problem related to the use of competencies is that everyone interprets them in his/her own way.”

Secondly, the local managers referred to differences in attitudes towards competencies displayed by the expatriate managers. The commercial manager continued:

“My boss’s (the expatriate manager) assessment of what was considered to be good in competencies was different from that of Unilever. He, for example, could not understand what customer orientation you might have if you did not see any (end) customers.”

As shown in case study chapters, differences in attitudes towards competencies displayed by the expatriate managers and in their interpretation led to frustration by the local managers who could see the inconsistencies between the espoused values and the behaviour of the expatriate managers, and resulted in misuse of the transferred practices.

The role of top management in change processes has also been highlighted in the literature (e.g. Hendry and Pettigrew, 1992; Cool and Lengnick-Hall, 1985). The case study chapters showed that the process of transfer of management and MD practices triggered major changes at the recipient unit, such as break-up of existing routines for certain tasks, introduction of new practices and skills requirements, extensive training of the workforce, shifts in the power structure, and changes in organisational philosophy and culture. In such a situation the importance of clearly articulated values and behaviours expected of managers was crucial. Clearly articulated requirements for the role of the expatriate managers in developing in-company culture in the case of the Cadbury subsidiary reduced misunderstanding and tension in the transfer process. On the other hand, the findings from the case study of Unilever suggest that the implementation of the practices transferred was characterised by contradictions and inconsistencies in part due to changes in the transfer of practices which happened without much explanation. As discussed in the case study (Chapter 7), the expatriate managers differed significantly in their attitudes and approaches to using the transferred practices and in providing explanation to those, as well as in developing their local colleagues. The

company considered these expatriate managers as vehicle to transfer its values and ways of thinking. However, their actions were restricted, given that the key MD processes were controlled and co-ordinated from the parent company head office. Therefore, the expatriate managers were mostly implementing new initiatives coming from the head office rather than developing something locally or adapting the practices transferred. The local managers interviewed in the subsidiary of Unilever in research stressed that where the expatriate manager was giving attention to developing the locals it was because of his/her good will.

The findings discussed in the sections above have several important implications. First, they highlight the importance of processes, which are required to support the implementation of the formal structures transferred. The literature stressed the role of managers in terms of providing interpretation and creating meaning for organisational changes to the organisation's member (Warner et al., 1993). This research has confirmed that providing understanding and interpretation of practices and their values to the employees in the subsidiary is crucial for the outcome of how they are received. Secondly, differences in attitudes and approaches to the transferred practices and specific relationships that existed between the parties involved in the implementation of these practices which have been discussed above, confirm the argument available in the literature that rationality is socially constituted (Morgan, 2001) and it is a structured set of relations between a range of actors with their own powers and interests. As shown in the case study, the local and expatriate managers had different understanding of what would be required to make the implementation of the transferred practices successful. This was because of differences in understanding of the local culture, industrial relations, and employees' orientation to work. Therefore, the introduced practices were fragmented. Given that the expatriate managers felt unsupported in this process they tended to rely on familiar practices, which were misunderstood by the locals. As shown in the case study, the local managers lacking an explanation of the practices ignored the informal processes surrounded the change and treated them in a very formal way.

Comparative analysis of two British-based MNCs' operations in Russia presented in this section has identified a number of important findings. This research examined the influence of institutional context on the nature of MD practices and the ways in which MD practices develop in two British-based MNCs – Cadbury Schweppes and Unilever.



The research identified that MD practices in these MNCs were structured by their national context. The research has also identified a number of other factors, apart from institutional context that shaped MD practices in these MNCs. As discussed in the sections above these are the business environment and the development of the industrial sector in which these MNCs operate, as well as their administrative heritage that is the history of the company, its organisational culture and management philosophy and organisation.

A number of factors have been identified that influenced the transfer of MD practices within two British-based MNCs to their Russian subsidiaries. These were the organisational context which shaped the ways in which these MNCs transferred their MD practices, including the mode of entry, mechanisms and structures used to transfer practices, and the systems of control and co-ordination exerted by the headquarters; the host country context and the local/social context in the subsidiaries which shaped the ways in which these practices were received in subsidiaries; and, finally, internal processes related to providing interpretation and creating meaning of the practices transferred.

The following section summarises the main findings in this thesis, the theoretical implications of which are discussed in Chapter 9.

## **8.5 Summary of key findings**

This research identified the key determinants that structure MD practices and processes in MNCs and thus influence their transfer. These key forces were integrated within the framework (Figure 3.1) that allowed for better understanding of their relationships and interactions. Other factors conditioning transfer were also identified, and the critical role of subsidiary management in the process of transfer of MD practices was stressed. The thesis highlighted that in subsidiaries, managers and their actions mediate the influence of the broader structural variables, and by this affect MD in subsidiaries.

This thesis showed that the institutional context not only structured management and MD practices and processes in the firm, but it also influenced the applicability of the transferred practices. The culturalist and institutional approaches to management (e.g.

Whitley, 1999; Hofstede, 1980; Trompenaars, 1992; Trompenaars and Woolliams, 1999) imply different behaviours of organisations due to the influence of cultural and institutional factors. This research has shown that misunderstandings and misuse of the practices transferred into the Russian subsidiaries of the two British-based MNCs were due to the lack of understanding of the concepts transferred, and also because these practices represented challenges to traditional ways of working and relating. Given that the Russian management practices are interconnected with a dissimilar cultural and institutional environment, Russian managers in the research had difficulties in understanding, interpreting, and using the transferred practices correctly. The local managers also resisted the introduction of practices because their implementation challenged their managerial status.

The local managers in this study were embedded in their social context and therefore, looked for explanation to the practices transferred drawing on their experience of working and relating in a different context. A similar finding has been in the work of Botti (1995) who analysed the functioning of a Japanese transplant in Italy. The findings in this research provide an interesting case in which the UK management development practices were questioned by the resistance they faced in the transfer. The issues raised are not uncommon in other research. Thus, previous research showed that the Anglo-Saxon model of MD might not fit comfortably with the reality of HRM in other countries because of contextual factors (Brewster and Larsen, 1992; Brewster, 1993). Therefore, transfer of MD practices from one context to another requires alteration.

As highlighted by the comparative analysis presented in this chapter, the transfer of formal structures should be supported by relevant processes which aim to provide interpretation and create meaning of the transferred practices. In this thesis both MNCs selected what they considered to be the most successful work system but struggled to implement it. This finding supports the view that “work organisation is more than a series of separate techniques, and is an inter-weaving of factors including technology, management techniques, and people’s knowledge” (Sharpe, 2001: 216). The need to look at underlying processes, not only structures, in order to understand the outcomes of the transfer process has also been stressed in the literature (Warner et al., 1993; Kostova, 1999) as well as in this research.



Both multinational companies involved in the research transferred their MD practices in order to structure behaviour of managers in their subsidiaries. However, this research suggests that not only formal structures and procedures influence behaviour of managers, but that other factors trigger and structure behaviour of managers also, including culture and social pressures. As shown in this research, managers tend to respond out of their social and cultural contexts. They attach meaning to their practices and interpret these by referencing their own social and cultural context.

The importance of processes aiming to provide interpretation and create meaning surrounding the transferred practices to the successful transfer has been a key finding in the thesis. Whilst the two MNCs in the study seemed to have adopted similar structures (e.g. performance management procedure, the use of competencies), the key difference was the underlying processes at work. The research highlighted the importance of social processes together with contextual factors in explaining outcomes in the transfer process. As suggested in the literature, because of these there can be uneven distribution world-wide of the policies and methods which are characteristic of the model practised at home (e.g. Botti, 1995; Kristensen and Zeitlin, 2001). This thesis has specifically identified processes related to day-to-day work environment such as providing explanations, ensuring consistency in actions, communication in order to help establish shared values and culture, and trust – all these are seen as important to the successful transfer and sustaining of practices.

## **8.6 Concluding remarks**

A multinational company facing a challenge to transfer its management practices to another location has to be aware of barriers which represent the influence of context on the transfer process. MD practices are contextually embedded. Also, context affects transferability in different ways. Its influence should be seen at different levels, including the social environment inside the company and the broader environment, i.e. national institutional framework of the host country where the MNC has its operations. These contextual influences either facilitate or inhibit the introduction of management practices.

Furthermore, the introduction of formal structures should be supported by processes to provide explanations to the practices transferred and the meaning and values they are based upon. Neglecting such processes makes efforts to bring new practices counterproductive as it increases tension and misunderstanding thus increasing the negative influence of context rather than *reducing* it.



---

---

# CHAPTER 9: Conclusion

---

---

## 9.1 Contribution of the research

The research presented in this thesis examined the influence of institutional context on the nature of MD practices in MNCs. It also examined the influence of institutional context on the ways in which MD practices are transferred and received in MNCs, and studied other factors shaping MD practices and their transfer process in MNCs.

A number of important findings were identified from a comparative analysis of two British-based MNCs' operations in Russia. Firstly, this research identified that MD practices in these MNCs were structured by their national context. Whilst the MD models in these two MNCs had some similar features, and the MD practices in their British subsidiaries showed similarities with the "ideal-type" MD practices in the UK the research identified a number of other factors, apart from institutional context that shaped MD practices in these MNCs. These factors were the business environment and the development of the industrial sector in which these MNCs operate, and their administrative heritage that is history of the company, its organisational culture and management philosophy and organisation. These factors were identified by analysing the differences in the MD models in the MNCs involved in this research, as well as in the MD practices in their British subsidiaries.

The thesis also examined the influence of institutional context on the ways in which MD practices were transferred and received in MNCs as well as other factors shaping the transfer. A number of factors have been identified that influenced transferability of MD practices within these two British-based MNCs to their Russian subsidiaries. The comparative analysis showed that the organisational context shaped the ways in which these MNCs transferred their MD practices. Differences in the mode of entry, mechanisms and structures used to transfer practices, and in the degree of control and co-ordination exerted from MNCs' head offices all had direct implications for MD issues in subsidiaries, as they affected the internal labour markets, practices transferred, and

management actions in the subsidiaries. The thesis also showed that the host country context and the local/social context in the subsidiaries both shaped the ways in which the transferred MD practices were received in subsidiaries. Though macro-economic changes in the country provided a more supportive environment for the introduction of managerial recruitment, it was particularly difficult to implement training and development and career management practices. The thesis examined how this could be understood by looking at how they challenged the traditional ways of working and relating. Finally, the thesis showed the importance of internal processes related to providing interpretation and creating meaning of the practices transferred, for the transfer to be successful.

This chapter discusses the implications of the key findings in the thesis for debates in the literature on MD, particularly in relation to trans-national transfers of MD practices within MNCs. It also covers the implications for different audiences and implications for future research.

### **9.1.1 The analysis of the process of transfer of MD practices within MNCs**

The following sections are based on the analysis of the major findings as well as the key concepts and models deployed in the thesis. This thesis showed that the traditions of Russian MD and management practices were of considerable influence on the process of transfer. Furthermore, the influence of context was intensified by the ways in which the multinational companies sought to transfer their practices. Thus the thesis argues that the problems encountered by the MNCs in this study challenges the notion that there is or can be a uniform system of MD that will work everywhere due to contextual influences in the transfer process.

#### **9.1.1.1 Contextual embeddedness of MD practices**

This section analyses the findings related to the nature of MD practices employed by the two MNCs involved in the study and which were transferred by these MNCs to their Russian subsidiaries. It also raises the issue about the importance of *both* organisational



and contextual effects in explaining the findings. Further the section considers the implications of the findings in relation to current debates in the management literature, by highlighting the importance of contextual influences on structuring MD practices in different societies and organisations.

The literature reviewed in chapters 2 and 3 helped to identify a number of factors that structure and influence management and MD practices in different societies and organisations (Whitley, 1989, 1999; Hendry and Pettigrew, 1990, 1992; Sparrow and Hiltrop, 1994). Furthermore, these works highlighted how the views of MD held by an organisation were influenced by the organisations social embeddedness within a particular context by showing the ways in which MD practices were shaped in different societies and organisations. Thus, the works of Hendry and Pettigrew (1990, 1992) showed how the views on MD might be influenced by industry-specific features, organisational history, organisational culture, and management systems. The literature review also stressed the importance of analysing MD within their broader national context. The way to analyse the influence of national institutional contexts on the strategies and structures of firms and their MD practices was suggested in the literature as well. The works of Whitley (1999) and Hall and Soskice (2001) showed how the structuring of MD by national context could be influenced by the nature of the state, financial system, trust and authority relations, and skill development and control systems, and how the influence exerted by these institutions might lead to differentiating MD practices across societies. The conceptual frameworks and models presented in these works were used in the thesis in order to identify “ideal-type” MD practices in the UK and Russia. In turn these “ideal-types” were used in the thesis in order to analyse the nature of MD practices and show contextual influences on them.

The analysis of the nature of MD practices employed by the two MNCs involved in the study highlights contextual embeddedness of these MD practices. First, the thesis showed that MD practices in the two multinationals were shaped by their broader national context. The comparison of MD practices in the two MNCs with those identified as “ideal-types” in the UK showed a number of similarities, particularly in rewards and appraisal (the use of short-term performance measures and status-wage differentiation based on job classification) as well as in training and development with the importance attached to development of general management skills.

On the other hand, the thesis showed that it was possible to identify Cadbury or Unilever-specific MD practices – those practices which could be performed by Unilever or Cadbury managers only. Examples available in the thesis included the complex and formalised system of training based on job classes and co-ordinated development of high potential managers (listers) in Unilever as well as the use of resourcing and development teams to speed up establishing HR systems in their new businesses and intensive on-the-job training by Cadbury. The thesis showed that these company-specific MD practices were shaped by the particular context in each of the companies. It identified factors pertinent to the inner organisational context that shaped these practices, including organisational history of the company, its management philosophy and organisation.

The thesis also showed that organisations differed in terms of their strategy towards the transfer of practices. The analysis of the nature of MD practices in the subsidiaries of the two MNCs showed that differences existed not only in terms of what practices were transferred but also in the ways in which these practices were transferred to the subsidiaries. As highlighted in the thesis, priorities in transfers were defined by the local context and time pressure experienced by both MNCs in Russia. However, the ways in which the MNCs approached these issues differed. Thus, Cadbury's response was in speeding up the introduction of its practices and more active use of expatriate managers with clear instructions about development of the locals. On the contrary, Unilever responded with incremental introduction of formal structures and practices and often changes in the management team. Furthermore, MNCs differed in terms of the preferred mode of entry when Unilever established a brownfield subsidiary and Cadbury – a greenfield site. The analysis of these findings revealed the possibility of different actions within the same institutional and industry context, and stressed that national context influences on MD practices were not monolithic but varied across organisations involved in the research.

This analysis presented in this section shows that work practices in different societies and organisations are influenced by context. This analysis also identifies the ways in which this influence is exerted. This discussion contributes to the debates about factors and processes which shape work practices in different societies and organisations. The findings of the thesis discussed in this section both confirm and challenge the ideas of recent management literature on the nature of MD and the importance of organisational



effect versus contextual effect in the process of transfer practices. The thesis confirms that there are a number of factors that shape MD in the organisation. These factors are identified in the literature (Hendry and Pettigrew, 1990, 1992; Whitley, 1989, 1999; Hall and Soskice, 2001; Mueller, 1994) and the ways in which these factors influence MD are indicated. Findings in the thesis support the argument available in the literature about the interdependence of MD and work processes and control practices as become established in different capitalist societies through their institutionalisation processes (e.g. Whitley, 1999). Also the thesis showed that there were pressures within multinationals for a form of “isomorphism” through efforts to transfer their management and MD practices, and technologies (e.g. Mueller, 1994). Further, the analysis showed the possibility of different strategies within the same institutional and industry context – the argument long debated in the literature (e.g. Hendry and Pettigrew, 1992). However, the thesis questions the deterministic influence of these factors alone and suggests that MD practices in the organisation are shaped by the interplay of different factors related to the broader national context as well as the inner organisational context.

#### **9.1.1.2     *The analysis of the model developed in the thesis***

The focus of this section is the analysis of the framework model developed in the thesis. The aim of this analysis is to discuss those findings which were not predicted by the model and show their implications to the model and to the broader debates in the management literature.

The analysis of the model developed in the thesis (Figure 3.1 and Figure 3.2) reveals a number of unpredicted and unexpected findings. The model developed was built on the works of Whitley (1999), Hall and Soskice (2001), Hendry and Pettigrew (1990; 1992) and Morgan (2001), and highlighted the influence of different forces on MD practices and their interrelationships in structuring MD practices. The model presented in the thesis helped to establish how societal conditions affected the transferability of MD practices. It also highlighted the role exerted by subsidiary management in interpreting and implementing the practices transferred. This was identified in the thesis as the key element behind the different organisational outcomes in the process of transfer. However, as it becomes evident from the following sections, there are a number of

unexpected findings which suggest that some alterations/additions in the model should be considered. The implications of these findings to the original views and current debates in the management literature are discussed in the sections below.

As predicted by the model, the thesis showed the influence of the wider context on the ways in which alternative management systems were received in the subsidiaries. Thus the thesis highlighted that the distinctive features of the local labour force and the production exigencies experienced by the two subsidiaries accounted for the approaches chosen to the transfer of management and MD practices. Organisations used a selective approach to transfer and implementation of practices in the light of local political and economic circumstances, and especially labour market conditions. Furthermore, the thesis showed that the local context influenced management initiatives and outcomes at subsidiary level. As highlighted in the thesis the level of tension and misunderstanding which accompanied the implementation of MD practices in the Unilever subsidiary was higher due the presence of a heterogeneous labour force, rather than in Cadbury Confectionery where the subsidiary was a greenfield site and thus had a more homogeneous labour force. These findings support the views available in the literature that societally-specific features work against the establishment of a single standard pattern of work organisation across institutional boundaries, with local conditions mediating the adoption of management systems from elsewhere (e.g. Whitley, 1999; Sorge, 1991, 1996)

On the other hand, the model used in the thesis in order to analyse the transfer process did not predict any differences in Russian management response to the introduction of MD practices developed in the UK. According to the model, all practices represented challenge to the same degree and therefore, should be received with the same degree of resistance/misunderstanding. One of the most interesting findings of the thesis was that the introduction and implementation of particularly training and development and career management practices were most challenging, while the transfer of recruitment and appraisal practices was much easier. As shown in the thesis this was because of the meaning attached to these two practices in the host country – both practices were linked with managerial status and authority which traditionally in Russia resided with expert functional/technical knowledge.



These findings show the influence of context on the ways in which practices were received and suggest selectivity in the transfer and implementation of work practices and organisational values due to the influence of the local context. The importance of these findings for the broader debates is twofold. First, the research shows that it is important not only to identify formal structures transferred to subsidiaries and the degree of their resemblance with either host or home-country practices (e.g. Rosenzweig and Singh, 1991; Bartlett and Ghoshal, 1989), but also to examine how these practices are operated and sustained in MNCs (Kristensen and Zeitlin, 2001; Sharpe, 2001). Therefore, the thesis challenges the usefulness of having typologies alone in order to explain complexities of international transfers. Instead it highlights the importance of social processes surrounding transfers of management practices and systems (Morgan, 2001).

Secondly, the thesis showed that changes in the macro-economic environment in Russia created the environment supportive to the introduction of managerial recruitment. The thesis also showed that changes occurred in the institutional environment in Russia in part due to the influence of the presence of foreign direct investments in the country (e.g. changes in skill development and control system) as novel mixes of employment relations and forms of work organisation were introduced. This finding contributes to the current debates on institutional rigidity/flexibility (e.g. Whitley, 2001, Morgan et al., 2001) and suggests that the undergoing process of internationalisation might trigger changes in institutions. However, as evidenced by this work these changes might be of a different degree in relation to different institutions.

Further, the model (Figure 3.2) did not imply any difference in the degree of influence exerted by the four key institutions on MD practices. However, the analysis of the ways in which these institutions shaped “ideal-type” MD practices in the two countries identified that the influence of key institutions on MD practices were of different degrees: some of these institutions were referred to more than the others. For example, in Russia the role of the State was key in shaping MD practices whilst the financial system had no significant influence on the practices. This unexpected finding is important as it differentiates the influence of key institutions and therefore stresses the importance of context. It also contributes to the current debates in the management literature concerning proximate and distal institutions (e.g. Djelic and Bensedrine, 2001).

The analysis of findings concerning the nature of transfer processes is the topic of the following section.

#### **9.1.1.3      *Contextual rationality and the nature of the process of transfer***

This section focuses on those findings related to the ways in which MNCs transferred their MD practices and particularly the role of expatriate managers in transfers. This section analyses the process of transfer and stresses the importance of the concept of contextual rationality to the outcomes of the transfers in the thesis.

The section draws on another interesting and unexpected finding. The thesis identified specific MD practices employed by Unilever. These practices were characterised by a high degree of co-ordination (training and career development), short-term orientation (rewards), and reliance on internal labour market coupled with sophisticated recruitment/assessment procedures. However, when Unilever came to Russia, its practices were different: formal practices were in place but not the meaning. Partly, this was because of the particular national and social environment of the subsidiary. Still the mechanisms of transfer used by Unilever were responsible for this outcome as well. For example, expatriate managers were not briefed on how to explain the transferred practices to the locals, there were no assignments to develop/coach local managers; there were often changes in the subsidiary management team, etc. This behaviour of Unilever was certainly not predicted by its MD model and established MD practices. The Unilever subsidiary in Russia was more British than Unilever in terms of the implementation of the practices transferred. Expatriate managers in Unilever relied on familiar practices, and did not pay much of attention to explaining these practices to the locals because they assumed that the interpretation of these practices by the locals would be the same as their own if the practices were formally in place. The locals, on the other hand, interpreted the introduced practices from their experience of working and living in their country.

These findings stress contextual boundedness of MD practices by highlighting the contextual rationality of these practices. The notion of contextual rationality has been introduced recently in the management literature by Morgan (2001) and it means that there is no essence of rationality that is context-independent. The thesis showed that the same MD practice might carry different meaning and might be interpreted differently in



different societies even if they were formally implemented. These findings highlight the importance of social processes surrounding operations of MNCs across contexts together with contextual factors in explaining outcomes in the transfer process.

The need to study the internal dynamics of the process of transfer has been debated in the literature (e.g. Mumford and Pettigrew, 1975; Sharpe, 2001; Kristensen and Zeitlin, 2001). The thesis showed that the internal management systems of the company, its internal organisational structure, and the systems of monitoring and accountability all influenced the implementation of MD practices in this thesis, thus highlighting the social basis of multinationals. The analysis of internal dynamics of the transfer process and the investigation of areas of tension in the thesis showed that the success of transfer of management and MD practices was determined by the transferability of meaning and value, in addition to the transferability of structures. The case study chapters gave a number of examples when practices were formally implemented and their rules followed, but the employees disapproved of the practice. This was particularly noticeable in the ways in which appraisal and reward systems were implemented in the subsidiaries, and in the use of competencies. Furthermore, the lack of consistency in implementation of the MD practices transferred amongst the subsidiary management in the case of Unilever resulted in the difference in approach and attitude between the local and the expatriate managers. This also created significant barriers to the internationalisation of new forms and values of the practices transferred.

The thesis highlighted the importance of providing interpretations and creating meaning of the practices transferred. As discussed earlier, corporate managers and local managers were drawing on different cultural repertoires of organisation practice. Therefore, the thesis showed that the process of transfer called for selection, adaptation, and development of the practices transferred. The implications of this as discussed in the literature (Morgan et al., 2001) might be an increased diversity in practices rather than homogenisation of those. Whilst within multinationals pressures for homogenising managerial cadre exist through attempts to transfer their practices, context influences how multinationals' management practices transfer across business systems and with what outcomes.

The findings discussed in this section stress contextual and process-related aspects of transfer. Support was found to the view available in the literature that work organisation

is more than a series of separate techniques, but also involves processes of relating, providing interpretation and creating meaning, and it can also be characterised by conflicts of interests and the exercise of power (e.g. Morgan, 2001; Sharpe, 2001). The thesis shows that it is important to look at underlying processes, not only structures, in order to understand the outcomes of the transfer process. It suggests that because of these there can be an uneven distribution world-wide of the policies and methods which are characteristic of the “home” model of MD. It also emphasises the need to view foreign subsidiaries as sites where organisational knowledge is translated and negotiated.

#### ***9.1.1.4 Structuring of MD in Russia by the institutional context***

The culturalist and institutional approaches to management imply variations in the behaviour of organisations due to the influence of cultural and institutional factors. The thesis examined the influence of institutional context on the nature of MD practices in Russia and showed that the Russian conception of management was interconnected with a particular cultural and institutional environment. The thesis highlighted that the role of a manager in Russia was very different to the role of a manager in Britain because the contexts in which managerial authority was taking place were so different. An ecological-cultural-institutional analysis of MD in Russia was undertaken in this research. To the best knowledge of the researcher, this has been the first attempt to show the influence of broader societal context on structuring of MD practices in Russia. Previous research, mostly of American origin, concentrated on producing a typology of Russian managers.

Furthermore, this research has highlighted that Russian managers are embedded in their social context and therefore, they search for explanation for the new practices drawing on their experience of working and relating in the Russian context. This is an alternative view of MD in Russia to the one which aimed at producing a typology of Russian managers. MD in Russia is seen in the thesis as a process of learning where Russian managers try to make sense of practices transferred.

These findings are worthy of attention, given that the experience of the two MNCs is in some sense analogous to problems that other transplants might face. The implications of these findings to different audiences are discussed in section 9.2.



## **9.2 Policy implications: MD as a process of learning**

The awareness that management practices are rooted in their context is important for learning, given that this can sustain or inhibit the process of internationalisation. Equally, the analysis of concrete cross-cultural experience presented in the thesis emphasises the importance of “negotiated meanings” in the process of transfer of management and MD practices. The implications of these findings can be seen at different levels – workplace and societal, and these implications are discussed in the following sections.

### **9.2.1 Workplace context**

A multinational company facing a challenge to transfer its management practices to another location has to be aware of barriers which represent the influence of context on the transfer process. The influence of context could be at different levels, including the social environment inside the company, the position the subsidiary has in the local labour market, specific features of the local labour market, and, finally, the broader environment, i.e. national institutional framework of the host country where the MNC has its operations. These contextual influences either facilitate or inhibit the introduction of management practices.

Multinationals transfer MD practices in order to structure behaviour of managers in their subsidiaries. They transfer their formal structures in order to stimulate the needed behaviour among the local workforce and thus facilitate the introduction of management practices. However, this research suggests that not only formal structures and procedures influence behaviour of managers, other factors trigger and structure behaviour of managers as well, including culture and social pressures. Therefore, the introduction of formal structures should be supported by processes to provide explanations to practices transferred as well as the meanings and values they are based upon. Neglecting such processes makes efforts to bring new practices into the subsidiary counterproductive. It increases tension and misunderstanding thus increasing the negative influence of context rather than reducing it.

The thesis showed that practices could be based on the different assumptions and value systems of the national cultures where they develop. Problems may arise when practices

are linguistically or culturally specific, such as, for example, competencies, which required particular behaviour to be displayed in an alien environment. As highlighted in the thesis, a shared vocabulary does not always mean consensus on meanings.

Furthermore, practices may represent challenges to traditional ways of working and relating. MD practices are linked to managerial status and authority. In the thesis, Russian managers resisted the introduction of training and development and career management practices because the implementation of these practices challenged their managerial status. Also, the local managers felt neglected as their needs as well as their knowledge of the local environment were not recognised by the head offices which pursued the transfer of formal structures which were alien to the context in which the subsidiaries operated. This research has shown the importance of sensitivity to and recognition of the local context in which subsidiaries operate by the parent companies. Where such sensitivity existed, trust also existed, and that helped the transfer.

The MNCs in this research used expatriate managers to help the introduction of the transferred practices. These expatriate managers were to transfer culture and values as well as structures, and their role was in the co-ordination and control of activities in subsidiaries. However, Russian managers in the research felt neglected as they were struggling with difficulties in getting understanding, interpreting and judging the transferred practices correctly without adequate support from their expatriate co-workers. Their interpretations of the transferred practices were based on their perceptions of managerial role and tasks and on their previous experience. On the other hand, the expatriate managers felt unsupported in their initiatives to bring new practices into the subsidiary. Inconsistency in implementation of practices, often changes in the management team, and the lack of communication between the different levels in the subsidiary resulted in fragmentation of the practices and the lack of shared values in the organisation. There was not much attention given to providing interpretation and creating meaning for the practices transferred in the day-to-day work environment.

Furthermore, as shown in this thesis, fast rotation of expatriates negatively influenced trust relations. Particularly in Russia, the need to understand how to deal with the local political system makes long-term expatriate assignments desirable. These people perform a key role in providing understanding and interpretation of practices and their values to



the employees in the subsidiary. They are responsible for how the practices are communicated, and how they are received.

### **9.2.2 Societal context**

The thesis has shown the impact of changes on the conception of management in Russia, and at the same time it has stressed the Russian deficit in alternative views on management. The transfer of new management and MD practices by MNCs may add significant new ingredients to the pattern of work and employment in the country. Whilst, as highlighted in the thesis the process of transfer of practices was accompanied by tension and misunderstandings, on the other hand, the outcomes of the process were not entirely circumscribed by existing institutional arrangements, and novel mixes of employment relations and forms of work organisation resulted. Therefore, MNCs should consider the impact of their actions on the wider national business environment as a whole, and not simply on the programmes of individual organisations. There might be potential for collaboration between MNCs in MD and business education activities in Russia. Promotion of collaborative research and organisation of secondments by MNCs for graduates, for example, may lead to spreading new skills requirements and establishing of benchmarking.

On the other hand, MNCs can also learn from their experience of working in a very different environment. As shown in this thesis, such experience highlights contextual boundedness of the views held by the parent company upon their corporate structures and practices, and work relations. As stressed in the literature, a selective appropriation of structural and cultural elements from other systems might be possible with consequent development of new work organisation principles (e.g. Whitley, 2001).

## **9.3 Implications for future research**

As highlighted in this chapter this research contributes to developing understanding of MD processes particularly in the setting of international transfers of MD practices. The methodology used in this study helped to examine to what extent practices originate as

responses to specific cultural and institutional conditions. Furthermore, the methodology used in the study allowed for taking into account the influence of the work place environment on the transferability of management practices. On the other hand, the chosen research methodology had some limitations. Given that this research is based on case studies, the data obtained are limited to a number of interviews and opinions of only those managers who were interviewed during the research. Equally, the research analysed the experience of two British-based multinationals, which operate in one sector of industry. Therefore, it will be interesting to extend the line of argument in this thesis to subsequent research and also to examine the key findings of this research in future research.

A number of questions can be addressed in subsequent research. Given this research has examined operations of two British-based MNCs in Russia, it would be interesting to carry out further research on MNC's in Russia and on British-based MNCs in Russia more specifically. Questions raised following this research include for example whether British-based MNCs with different organisational histories and organisational contexts encounter similar problems when transferring their practices to Russia? It would also be of interest to examine whether the same findings would be obtained if Unilever and Cadbury Schweppes had operations in a different location, outside of Moscow or St Petersburg. A further question is whether the findings would be the same if the research investigated MNCs operating in a different sector of industry. Other interesting questions include whether Unilever and Cadbury Schweppes would have the same difficulties in introducing their training and development and career management practices to subsidiaries in other countries. It would also be interesting to follow up this research by looking comparatively at how other MNCs manage cultural change which accompanies the transfers at a cultural as well as structural level through the use of expatriate managers.

One important implication for future research in Russia comes from the methodology employed in this research. This has been a cross-cultural study which highlighted a number of important issues, including the necessity to establish a good rapport between a researcher and the interviewee in order to get the information required. It would not be possible to get such information by employing surveys. Also, the Russian language raises some methodological issues. Given that the Russians tend to use lots of metaphors



and often use Russian sayings, which can be interpreted in different ways depending on the context, the study highlights how the researcher has to be sensitive to language and culture in approaching the fieldwork and collecting data.

Addressing the questions presented above will contribute to a better understanding of key issues related to the process of the international transfer of management and MD practices in MNCs.

# **Appendix A**

## **Interview schedules**

### **A. Interview with HR managers**

1. Company and business environment
  - Strategy and structure of the company
  - Management philosophy and organisation
  - The role of the interviewee in the wider infrastructure of MD policy and practice
2. Management development in the company
  - Company's objectives in MD
  - Company's approach to MD
  - Importance of MD in the organisation
  - Major trends currently influencing MD
  - Role of HQ in co-ordinating MD activities
  - MD performed in business units
  - Scope and focus of MD (MD for development of potential or for everyone)
  - Use of competencies in MD practices
3. MD practices
  - Company's approach to recruitment and selection; patterns of managerial recruitment and criteria for selection
  - Training and development: organisation of training; who is involved in training and development; focus of training (generalist/specialist); forms of training; differences in provision of training for different management levels; training providers; integration of training with other MD practices; information about training; training needs analysis
  - Career management: systems of career planning; career paths/career mobility; bases for identification of potential; management of potential
  - Appraisal and reward systems: performance management systems and their links with succession planning; performance development planning
4. Management development in Russia
  - Focus and priorities of MD activities in Russia
  - Management development activities going on in Russia
  - How MD is transferred to the Russian subsidiary; the role of expatriate managers
  - Difficulties that the company faces while transferring its MD practices to Russia
  - Adaptation to transferred MD practices

### **B. Interview with line managers**



## **1. Introductory remarks**

- How long have you worked in the company?
- What department do you work in?
- How long have you worked in this department?
- What is your job title?
- Can you describe briefly what this job entails?

## **2. Recruitment and selection**

- Education, entry into management, age of first managerial appointment
- Experience in other companies
- How did you join the company (recruitment procedure: interviews / assessment centre)

## **3. Training and development**

- Over the last (three) years have you received any training?
- On average, about how much training do you think you have received per year during this time
- Was the training on-the-job or off-the-job?
- What was the purpose of training (of these reasons which do you feel was the most important)?
- How adequate or sufficient do you feel the training provided has been for you?
- Who was the provider for the training?
- How were your training needs identified?
- How do you get information about training?
- Does the training provided mainly focus on development of general management or technical/functional skills?
- What is your role in this process? Can you initiate training? Will the company support your initiative? Who would you like to be responsible for your training?
- What kind of training you think is important/more relevant for you (form of training/focus of training)?
- Has it been possible to apply what you learnt on training in your work?
- Is there any follow up on training?

## **4. Career management**

- What are the factors that helped you to become a manager?
- What is your view on your career path?
- Are you aware of a career planning system in your company?
- Who do you think should be responsible for the development of your career?
- Do you plan your career? How?
- Do you think it is important for the company to manage your career?

## **5. Appraisal and reward system**

- What methods do management use to appraise your performance?
- Can you describe the procedure?
- How satisfied are you with the way you are appraised?

## **C. Interview with line managers in Unilever subsidiary in Russia (second fieldwork) – additional issues**

### **Practices transferred**

1. Is there still little information available concerning the system on the basis of which training and development is done in the company?
2. Is there still a lack of understanding of the job-class system/work level system (the way it operates) brought by the parent company?
3. Has the attitude of local managers changed with respect to the company's focus on developing general management skills rather than technical ones?
4. Do Russian managers still have very little understanding of the way their training needs are identified?
5. Do Russian managers continue to prefer structured career paths?
6. Do Russian managers still have a negative attitude towards appraisal systems because they see them as "subjective"?
7. Do Russian managers continue to resist the introduction of teams? If yes, why?
8. What misunderstandings might Russian managers have in relation to competencies and their use in MD practices?
9. What MD practices do you think would not work in Russia? Why?

### **Mechanisms of transfer**

1. Is there still the practice of sending expatriate managers on short-term assignments to Russia? Does this affect how practices are implemented?
2. Do Russian managers still lack explanations for the practices transferred? If yes, what kind of help can they get, and from whom?
3. Are there still differences in the ways in which practices are implemented in different departments?
4. Is trust still an issue?

### **Other issues**

1. Are there any changes in priorities in the transfer of MD practices from the parent company to its Russian subsidiary during the process?
2. Are these changes because of the business environment in Russia, or because of other broad Unilever initiatives?



## **Appendix B**

### **Formation of line management reserve in LOMO (Leningrad optics-mechanical amalgamation)**

The system of formation of the line management reserve in LOMO was described in the document N5-005. It dates from 1982 and was used in all units of the enterprise. It described the selection procedure, and specified requirements for selection and criteria for evaluation of selected candidates.

Criteria for initial selection included relevance of ideological and political views (to be assessed by the relevant party organisation), education, age, membership in the party or Komsomol (desirable), work experience (overall and in the enterprise), and role in social organisations of the enterprise (key requirement). For each position two or three candidates were selected.

The second step involved the evaluation of selected candidates by experts against the criteria outlined on a separate sheet. The evaluation was carried out by “experts”. Prior to the evaluation, there was training for experts in order to explain the procedure and criteria for selection. The group of experts, usually comprising seven people, was selected as follows: two experts were superiors of the candidate, where one would be his or her immediate boss; two experts were peers and two were subordinates of the candidate, ; finally, one was a member of the party organisation. Key requirements for the selection of experts was their experience of working with the candidate (no less than one year), and their own work experience in current positions (no less than one year). The only exception from this rule could be the immediate boss. In order to make the procedure more objective, the lists of suitable experts were presented to the department, which supervised the process, and then an ad hoc technique would be used to finalise the list of experts for every candidate. These experts assessed the skills presented below.





This decision, however, was made in the candidate's department. Then the list of the "reserve", signed by the departmental boss and party and trade union leaders in the department, was given to the personnel department. The overall list of management reserve in the enterprise had to be approved by the director general.

The final stage of the process involved intensive training of the "reserve". This training was organised in accordance with the document named "The Standard of the Enterprise STP Y-841-78 - the procedure of organisation of training of employees in reserve of the enterprise". Key to this training were two-year individual plans, which were made by the immediate boss of the nominee with the help of the deputy director general of personnel. The plan aimed to reduce gaps in knowledge and skills identified during the evaluation. This training was in the form of secondments, recommended courses and/or self-development. Thus, for example, the plan could contain a list of possible presentations at seminars, lectures for other employees or participation in scientific conferences and training organised for management and specialists of other departments of the enterprise.

The organisation of training was the responsibility of the department of "technical training". Nevertheless, the realisation of individual plans was under the control of immediate bosses and the deputy director general of personnel, whose responsibility was also to discuss the matter with the director general on a permanent basis. The person could be removed from "reserve" if his/her progress during development was not satisfactory.

The importance of secondment was given particular attention. Usually, it was organised prior to possible promotion, when the candidate assumed all responsibilities of the future possible position for a period of up to six months. Organisation of this training involved assignment of a mentor, a superior manager with "good management skills and work experience in the current position of no less than five years". At the end of the secondment, every individual manager was given a written evaluation by his mentor, on the basis of which the final decision about the promotion was made.

---

---

# References

---

---

- Adam Smith Institute, 1997, *Report on investment strategies in Russia*, Moscow
- Birds Eye Wall's, 1994, Gloucester Site Manufacturing Strategy, Gloucester
- Birds Eye Wall's, 1995, the Mission Statement, Gloucester
- Birds Eye Wall's, 1996, *Birds Eye Wall's booklet*, Gloucester
- The state committee for labour and social affairs, 1995, *The Russian classification of workers and employees occupations and wage grades*, Moscow
- Cadbury Schweppes PLC, *International Directory of Company Histories*, 2, 476-478
- Cadbury Schweppes: an ECF/IUF Study, March 1994, *Cadbury Schweppes in Europe*, Labour Research Department
- Cadbury Schweppes PLC, 1997, *Annual Report*, London
- Cadbury, D., *Who We Are, What We Do, Where We Are Going*, London
- Cadbury Ltd, 1995, the Vision Statement, Bournville
- Cadbury Ltd, 1995, *Cadbury Every Manager Guide to Performance*, Bournville
- Cadbury Confectionery, 1995, the Mission Statement, Moscow
- Candy Industry, December 1996
- Izvestiia, 07.04.1998, Notes on recent developments in Chudovo, St Petersburg
- KPMG, 1994, *Investment in Russia*, Moscow
- Kommersant, 27.11.1996, Cadbury Confectionery: Developing a new site
- Kommersant, 15.04.1998, Cadbury Confectionery, St Petersburg
- Kommersant, 26.09.1998, Cadbury Confectionery has to stop its production, St Petersburg
- LOMO, 1985, the standard of the enterprise N5-005 *Formation of line management reserve in LOMO*, St Petersburg
- LOMO, 1985, the standard of the enterprise STP Y-841-78 - *Procedure of organisation of training of employees in reserve of the enterprise*, St Petersburg
- Nestlé Rowntree, 1995, *Nestlé Rowntree Sweet Facts*, London
- Russian Statistics Annually*, 1998
- Russian Statistics Annually*, 2001
- Selling in Russia: The march on Moscow – Western consumer goods companies are sweeping all before them, 18 March, 1995, *Economist*
- Munching on change: Unilever's Food Business, 06.01.1996, *Economist*



- Accelerates from business: fast growth caused lack of co-ordination, 04.12.1995, *Expert*, Moscow
- Management education in Russia (part 1), 03.02.1997, *Expert*, Moscow
- Management education in Russia (part 2), 28.04.1997, *Expert*, Moscow
- Lex Column: Unilever, 14.03.1996, *Financial Times*
- Unilever PLC (Unilever N.V.), *International Directory of Company Histories*, 2, 542-545
- Unilever PLC, 1997, *Annual Report*, London
- Unilever PLC, 1995, Unilever magazine, London
- Unilever PLC, 2001 *The Leadership Growth Profile*
- Abbot, A., 1988, *The System of Professions*, London: University of Chicago Press
- Adler, N., 1983, Cross-Cultural Management Research: The Ostrich and the Trend, *Academy of Management Review*, 8, 226-232
- Adler, N., 1986, *International Dimensions of Organisational Behaviour*, Boston: PWS Kent
- Adler, N., Ghadar, F., 1990, Strategic Human Resource Management: A Global Perspective, in Paeper, R., (ed.), *Human Resource Management: An International Comparison*, Berlin: de Gruyter, 235-260
- Adler, N., England, G., Hofstede, G., Olie, R., Smith, P., 1995, *Cross-cultural Management*, in Jackson, T., (ed.), Butterworth Heinemann Management Readers
- Albert, M., 1993, *Capitalism vs. Capitalism*, New York: Four Walls Eight Windows
- Almond, P., Rubery, J., 2000, Deregulation and Societal Systems, in Maurice, M., Sorge, A., (ed.), *Embedding Organisations*, Amsterdam / Philadelphia: Benjamins
- Andersson, U., Forsgren, M., 1996, Subsidiary Embeddedness and Control in the Multinational Corporation, *International Business Review*, 5(5), 487-508
- Antonacopoulou, E., 1994, Competency-based Management Development: Can It Work?, *Warwick Business School Research Paper*, No. 132, September
- Antonacopoulou, E., 1997, Towards the Learning Manager: An Empirical Investigation of Managerial Learning in the Context of Changing Organizations, *Warwick Business School Research Paper*, No. 265, August
- Aoki, M., 1994, The Japanese Firm as a System of Attributes: A Survey and Research Agenda, in *The Japanese Firm: Sources of Competitive Strength*, Aoki, M., Dore, R., (ed.), Oxford: Clarendon Press
- Armstrong, P., 1989, Management, Labour Process and Agency, *Work, Employment and Society*, 3 (3), 307-322
- Ashton, C., 1995, Cross-cultural indicators for human resource agendas, *Management Development Review*, 8 (2)
- Ashton, T., 1996, *The Industrial Revolution*, Oxford: Oxford University Press
- Ashton, D., 1988, Are Business Schools Good Learning Organizations? - Institutional Values and Their Effects in Management Education, *Personnel Review*, 17(4), 9-14

- Arthur, J., 1994, Effects of Human Resource Systems on Manufacturing Performance and Turnover, *Academy of Management Journal*, 37, 670-687
- Bakhtari, H., 1995, Cultural Effects on Management Style. A Comparative Study of American and Middle Eastern Management Styles, *International Studies of Management and Organisations*, 25(3), 97-118
- Bartlett, C., Ghoshal, S., 1988, Organizing for Worldwide Effectiveness: the Transnational Solution, *California Management Review*, 31(1).
- Bartlett, C., Ghoshal, S., 1989, *Managing Across Borders: The Transnational Solution*, London: Hutchinson
- Bartlett, C., Ghoshal, S., 1991, Global Strategic Management, *Strategic Management Journal*, 12
- Bartlett, C., Ghoshal, S., 1997, *Transnational Management: Text, Cases, and Readings in Cross-Boarder Management*, (2<sup>nd</sup> ed.), Boston: Irwin
- Beer, M., 1997, The Transformation of the Human Resource Function: Resolving the Tension Between a Traditional Administrative and a New Strategic Role, *Human Resource Management*, 36 (1), 49-56
- Beetham, D., 1991, *The Legitimation of Power*, London: Macmillan
- Belanger, J., Berggren, C., Bjorkman, T., and C., Kohler, (eds.), 1999, *Being Local Worldwide. ABB and the Challenge of Global Management*, Ithaca and London: Cornell University Press
- Birkinshaw, J., 2000, *Entrepreneurship in the Global Firm*, London: Sage
- Birkinshaw, J., Hood, N., 1998, Multinational Subsidiary Evolution: Capability and Charter Change in Foreign-Owned Subsidiary Companies, *Academy of Management Review*, 23(4), 773-796
- Blackburn, R., Rosen, B., 1993, Total Quality and Human Resource Management: Lessons Learned from Baldrige Award-Winning Companies, *Academy of Management Executive*, 7, 49-66
- Blasi, J., Kroumova, M., Kruse, D., 1997, *Kremlin Capitalism, Privatizing the Russian Economy*, Cornell University Press
- Blackwell, W., 1968, *The Beginnings of Russian Industrialization, 1800-1860*, Princeton (NJ): Princeton University Press
- Blunt, P., 1990, Recent Developments in Human Resource Management: The Good, the Bad and the Ugly, *International Journal of Human Resource Management*, 1(1), 45-59
- Botti, H., 1995, Misunderstandings: A Japanese Transplant in Italy Strives for Lean Production, *Organization*, 2(1), 55-86
- Boxall, P., 1995, Building the Theory of Comparative HRM, *Human Resource Management Journal*, 5, 5-16
- Boyatzis, R., 1982, *The Competent Manager: A Model for Effective Performance*, New York: John Wiley and Sons
- Boyer, R., Drache, D., (ed.), 1996, *States against Markets*, New York: Routledge
- Boyer, R., Durand, J-P., 1997, *After Fordism*, London: Macmillan



- Braybrooke, D., Lindblom, C., 1963, *A Strategy for Decision: Policy Evaluation as a Social Process*, Free Press of Glencoe
- Brewster, C., 1993, Developing a "European" Model of Human Resource Management, *International Journal of Human Resource Management*, 4, 765-783
- Brewster, C., Larsen H., 1992, Human Resource Management in Europe: Evidence from Ten Countries, *International Journal of Human Resource Management*, 3(3)
- Brislin, R., 1976, Comparative Research Methodology: Cross-cultural Studies, *International Journal of Psychology*, 11(3), 215-229
- Broad, G., 1994, The Managerial Limits to Japanization: A Manufacturing Case Study, *Human Resource Management Journal*, 4(3), 39-52
- Brockbank, W., 1997, HR's future on the way to a presence, *Human Resource Management*, Spring, 36(1), 65-69
- Bromiley, P., Cummings, L., 1995, Transaction Costs in Organisations and Trust, in Bies, R., Lewicki, R., Sheppard, B., (ed.), *Research in negotiation in organisations*, 5, 219-247, Greenwich CT: JAI Press
- Brown, W., Marginson, P., Walsh, J., 1995, Management: Pay Determination and Collective Bargaining, in Edwards, P., (ed.), *Industrial Relations. Theory and Practice in Britain*, Oxford: Blackwell, 123-150
- Bruton, G., Rubanik, Y., 1997, Turnaround of High Technology Firms in Russia: The Case of Micron, *The Academy of Management Executive*, 11(2), 68-80
- Bryman, A., 1988, *Quantity and Quality in Social Research*, London: Routledge
- Bryman, A., Burgess, R., 1994, *Analysing Qualitative Data* (ed.), London: Routledge
- Burgoyne, J., 1988, Management Development for the individual and the organization, *Personnel Management*, June, 40-47
- Burgoyne, J., Stuart, R., 1976, The Nature, Use and Acquisition of Managerial Skills and Other Attributes, *Personnel Review*, 5(4), 19-29
- Burns, T., Stalker, G., 1961, *The Management of Innovation*, Tavistock Publications
- Burrell, G., Morgan, G., 1979, *Sociological Paradigms and Organisational Analysis. Elements of the Sociology of Corporate Life*, London: Heinemann
- Butler, R., Wilson, D., 1990, *Managing Voluntary and Non-profit Organizations: Strategy and Structure*, London: Routledge
- Calori, R., 1996, The Diversity of Management Systems, in Paton, R., Clark, G., Jones, G., Lewis, J., and Quintas (ed.), *The new management reader*, London: Routledge, 216-236
- Campagnac, E., Winch, G., 1997, The Social Regulation of Technical Expertise: The Corporations and Professions in France and Great Britain, in Whitley, R., Kristensen, P., (ed.), *Governance at Work: The Social Regulation of Economic Relations*, Oxford: Oxford University Press
- Campbell, J., Hollingsworth, R., Lindberg, L., 1991, *Governance of the American Economy* New York: Cambridge University Press
- Carter, P., Lumsdon, C., 1988, How management development can improve business performance, *Personnel management*

- Casper, S., 2000, Institutional Adaptiveness, Technology Policy and the Diffusion of New Business Models: The case of German Biotechnology, *Organisation Studies*, 5, 887-914
- Cavusgil, T., Das, A., 1997, Methodological Issues in Empirical Cross-cultural Research: A Survey of the Management Literature and a Framework, *Management International Review*, 37, 71-96
- Chambers, D., 23.02.1996, Mastering Management – Part 16 (9): Russia's Different Problems, *Financial Times*
- Chandler, A., 1962, *Strategy and Structure: Chapters in the History of the American Industrial Enterprise*, Cambridge, Massachusetts: MIT Press
- Chandler, A., 1977, *The Visible Hand: The Managerial Revolution in American Business*, Cambridge, MA: Harvard University Press.
- Chandler, A., 1980, The United States: Seedbed of Managerial Capitalism, in Chandler, A. and Daems (ed.), *Managerial hierarchies: Comparative perspectives on the rise of the modern corporation*, Cambridge, MA: Harvard University Press.
- Chandler, A., 1980b, The Growth of the Transnational Industrial Firm in the United States and the United Kingdom: A Comparative Analysis. *Economic History Review*, 2nd series, 33 (August)
- Chandler, J., 1990, *Scale and Scope: The Dynamics of Industrial Capitalism*, Cambridge, MA: Harvard University Press
- Child, J., 1969, *British Management Thought*, London: Allen and Unwin
- Child J., Kieser, A., 1979, Organisation and Managerial Roles in British and West German Companies – An Examination of the Culture-Free Thesis, in Lammers, C. and Hickson, D., (ed.), *Organizations Alike and Unlike – International and Inter-Institutional Studies in the Sociology of Organisations*, London: Routledge and Kegan Paul, 251-271
- Child, J., Loveridge, R., 1990, *Information Technology in European Services: Towards a Microelectronic Future*, Oxford: Blackwell
- Child, J., Smith, C., 1987, The Context and Process of Organisational Transformation – Cadbury Limited and its Sector, *Journal of Management Studies*, 24(6), 565-593
- Child, J., Tayeb, M., 1983, Theoretical Perspectives in Cross-National Organisational Research, *International Studies of Management and Organisation*, 12, 23-70
- Coller, X., 1996, Managing Flexibility in the Food Industry: a Cross-national Comparative study in European Multinational Companies, *European Journal of Industrial Relations*, 2(2), 153-172
- Collin, A., 1989, Managers' Competence: Rhetoric, Reality and Research, *Personnel Review*, 18(6), 20-26
- Cool, K., Lengnick-Hall, C., 1985, Second Thoughts on the Transferability of the Japanese Management Style, *Organisation Studies*, 6(1), 1-22
- Crankshaw, E., 1976, *The Shadow of the Winter Palace. Russia's Drift to Revolution 1825-1917*, NY: The Viking Press
- Crisp, O., 1976, *Studies in the Russian Economy Before 1914*, London: Macmillan



- Crouch, C., 1993, *Industrial Relations and European State Traditions*, Oxford: Clarendon Press
- Crozier, M., 1964, *The Bureaucratic Phenomenon*, Chicago: University of Chicago Press
- Cyr, D., Frost, P., 1991, Human Resource Management Practice in China: A Future Perspective, *Human Resource Management*, 30(2), 199-215
- Dawson, H., 1995, Where Price is King, *Beverage World*, 114-140
- Deetz, S., 1991, *Democracy in an Age of Corporate Colonization*, New York: State University of New York Press
- Deoussis, V., 1995, Simply a Question of Cultural Barriers? The Search for New Perspectives in the Transfer of Japanese Management Practices, *Journal of Management Studies*, 32(6), 731-745
- DiMaggio, P., 1995, Comments on "What theory is not", *Administrative Science Quarterly*, 40, 391-397
- DiMaggio, P., Powell, W., 1983, The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organisational Fields, *American Sociological Review*, 48, 147-160
- DiMaggio, P., Powell, W., 1991, (ed.), *The New Institutionalism in Organizational Analysis*, Chicago: University of Chicago Press
- Djelic, M., Quack, S., 2002, From National Configurations to Transnational Recombination, paper for the EGOS colloquium in Barcelona, July
- Djelic, M., Bensedrine, J., 2001, Globalization and its Limits: The Making of International Regulation, in Morgan, G., Kristensen, P., Whitley, R., (ed.), *The Multinational Firm. Organising Across Institutional and National Divides*, Oxford: Oxford University Press
- Dosi, G., Kogut, B., 1993, National Specificities and the Context of Change: The Co-evolution of Organization and Technology, in Kogut, B., (ed.), *Country Competitiveness – Technology and Re-organization of Work*, Oxford: Oxford University Press
- d'Iribarne, P., 1991, The Usefulness of an Ethnographic Approach to International Comparisons of the Functioning of Organisations, *paper presented to the EGOS Colloquium*, Vienna, July 15-17
- Domsch, M., Lichtenberger, B., 1990, In Search of Appropriate Management Transfer: Leadership Style of West German Expatriate Managers in the People's Republic of China, *International Journal of Human Resource Management*, 1(1), 73-87
- Dopson, S., Stewart, R., 1993, Information Technology, Organizational Restructuring and the Future of Middle Management, *New Technology, Work and Employment*, 8(1), 10-20
- Dopson, S., Fitzgerald, L., 2003, *The Myth of Rationality*, Oxford University Press
- Dopson, S., 2003, The Potential of the Case Study Method for Organisational Analysis, *Policy and Politics*
- Dore, R., 1986, *Flexible Rigidities*, Stanford, California: Stanford University Press
- Dore, R., 1990, *British Factory-Japanese Factory: The Origins of National Diversity in Industrial Relations*, Berkeley, CA: University of California Press

- Dore, R., 1997, Japanese Corporate System, in Lazonick, W., Dore, R., de Jong, H., Admiraal P., (ed.), *The Corporate Triangle. The Structure and Performance of Corporate Systems in a Global Economy*, Oxford: Blackwell, 32-86
- Douglas, M., 1991, *Wie Institutionen Denken*, Frankfurt/Main: Suhrkamp
- Dowling, P., Schuler, R., 1990, *International Dimensions of Human Resource Management*, Boston, MA: PWS-Kent
- Downey, H., Ireland, R., 1979, Quantitative versus Qualitative: Environmental Assessment in Organisational Studies, *Administrative Science Quarterly. Special Issue on Qualitative Methodologies*, 24, December, 630-637
- Doyle, M., 1995, Organizational Transformation and Renewal: A Case for Reframing Management Development?, *Personnel Review*, 24(6), 6-18
- Doz, Y., Prahalad, C., 1986, Controlled Variety: a Challenge for Human Resources Management in the MNC, *Human Resource Management*, 25, 55-71
- Doz, Y. Bartlett, C., Prahalad, C., 1981, Global Competitive Pressures and Host Country Demands: Managing Tensions in MNCs, *California Management Review*, 23(3), 63-73
- Doz, Y., Prahalad, C., 1991, Managing DMNCs: a Search for a New Paradigm, *Strategic Management Journal*, 12, 145-164
- Duncan, R., 1979, *Strategic Management: A New View of Business Policy and Planning*, Little, Brown and Company Ltd.
- Easterby-Smith, M., Malina, D., 1999, Cross-Cultural Collaborative Research: Toward Reflexivity, *Academy of Management Journal*, 42(1), 76-87
- Ebster-Grosz, D., Pugh, D., 1996, *Anglo-German Business Collaboration. Pitfalls and Potentials*, Basingstoke: Macmillan
- Eckstein, H., Gurr, T., 1975, *Patterns of Authority: A Structured Basis for Political Inquiry*, New York: Wiley
- Edstrom, A., Galbraith, J., 1977, Transfer of Managers as a Coordination and Control Strategy in Multinational Corporations, *Administrative Science Quarterly*, 22, 248-263
- Edwards, P., 1995, The Employment Relationship, in Edwards, P., (ed.), *Industrial Relations. Theory and Practice in Britain*, Oxford: Blackwell, 3-26
- Edwards, P., Ferner, A., Sisson, K., 1993, People and the Process of Management in the Multinational Company: A Review and Some Illustration, *Warwick papers in industrial relations*, N 43, IRRU, University of Warwick
- Edwards, P., Ferner, A., Sisson, K., 1996, The Conditions for International Human Resource Management: Two Case Studies, *International Journal of Human Resource Management*, 7(1), 20-40
- Edwards, J., Fischer, K., 1994, *Banks, Firms and Investment in Germany*, Cambridge: Cambridge University Press
- Ehrlich, C., 1997, Human Resource Management: A Changing Script for a Changing World, *Human Resource Management*, 36(1)
- Eisenhardt, K., 1989, Building Theories from Case Study Research, *Academy of Management Review*, 14(4), 532-550



- Elbaum, B., Lazonick, W., (ed.), 1986, *The Decline of the British Economy*, Oxford: Oxford University Press
- Elger, T., Smith, C., (ed.), 1994, *Global Japanisation? The Transformation of the Labour Process*, London: Routledge
- Engelhardt, A., 1987, *From the Village: 12 Letters, 1872-1887*, Moscow: Mysl
- Estervez-Abe, M., Iverson, T., Soskice, D., 2001, Social Protection and the Formation of Skills: A Reinterpretation of the Welfare State, in Hall, P., Soskice, D., (ed.), *Varieties of Capitalism. The Institutional Foundations of Comparative Advantages*, Oxford: Oxford University Press
- Estrin, S., Meyer, K., 1998, Opportunities and Tripwires for Foreign Investors in Eastern Europe, *Thunderbird International Business Review*, 40 (3), 209-235
- Etzioni, A., 1968, *The Active Society*, Collier-Macmillan
- Evans, P., Doz, Y., Laurent, A., (ed.), 1989, *Human Resource Management in International Firms, Change, Globalization, Innovation*, London: Macmillan
- Evans, P., Lorange, P., 1989, The Two Logics Behind Human Resource Management, in Evans, P., Doz, Y., Laurent, A., (ed.), 1989, *Human Resource Management in International Firms, Change, Globalization, Innovation*, London: Macmillan
- Evans, P., 1990, International Management Development and the Balance between Generalism and Professionalism, *Personnel Management*, December, 46-50
- Evered, R., Selman, J., 1989, Coaching and the Art of Management, *Organizational Dynamics*, Autumn, 16-32
- Falkus, M., 1972, *The Industrialization of Russia 1700-1914*, London: Macmillan
- Fayol, H., 1949, *General and Industrial Management*, London: Pitman
- Fehn, R., 1998, Capital Market Imperfections, Greater Volatilities and Rising Unemployment: Does Venture Capital Help?, working paper, Bayerische Julius-Maimilliams-Universitat Wurtzburg
- Ferner, A., 1994, Multinational Companies and Human Resource Management: An Overview of Research Issues, *Human Resource Management Journal*, 4(3), 79-102
- Ferner, A., 1997, Country of origin effects and HRM in multinational companies, *Human Resource Management Journal*, 7(1), 19-38
- Ferner, A., Edwards, P., 1995, Power and the Diffusion of Organizational Change within Multinational Enterprises, *European Journal of Industrial Relations*, 1(2), 229-257
- Ferner, A., Varul, M., 1998, German Multinationals and the Management of HRM in their UK Subsidiaries, *unpublished research report presented at the University of Warwick*, 12 December
- Fey, C., Bjorkman, I., Pavlovskaya, A., 2000, The Effect of Human Resource Management on Firm Performance in Russia, *International Journal of Human Resource Management*, 11(1), 1-18
- Filatotchev, I., Hoskisson, R., Buck, T., Wright, M., 1996, Corporate Restructuring in Russian Privatizations: Implications for U.S. Investors, *California Management Review*, 38(2), 87-105

- Fitz-enz, J., 1997, The Truth About Best Practices: What They Are and How to Apply Them, *Human Resource Management*, 36(1), 97-103
- Fletcher, C., 1993, Appraisal: An Idea Whose Time Has Gone?, *Personnel Management*, September, 34-37
- Fletcher, C., Williams, R., 1992, The Route to Performance Management, *Personnel Management*, October, 42-47
- Formbrun, C., Tichy, N., Devanna, M., 1984, *Strategic Human Resource Management*, New York, John Wiley
- Fox-Wolgramm, S., Boal, K., Hunt, J., 1998, Organisational Adaptation to Institutional Change: A Comparative Study of First-order Change in Prospector and Defender Banks, *Administrative Science Quarterly*, 43, 87-126
- Freedman, A., 1991, *The Changing Human Resources Function*, New York: The Conference Board
- Friedmann, J., 1967, *The Institutional Context*, Gross
- Friedman, D., 1977, *Industry and Labour*, London: Macmillan
- Froud, J., et al., (ed.), Shareholder Value and the Political Economy of Late Capitalism, special issue *Economy and Society*, 29(1)
- Fuhrmann, J., 1972, *The Origins of Capitalism in Russia. Industry and Progress in the Sixteenth and Seventeenth Centuries*, Chicago: Quadrangle Books
- Galbraith, J., 1973, *Designing Complex Organisations*, Addison-Wesley
- Geddes, B., 1995, The Development of Accountancy Education, Training and Research in England, unpublished PhD thesis, University of Manchester
- Gershenkron, A., 1997, *Economic backwardness in historical perspective*, The Belknap Press of Harvard University Press
- Ghuri, P., Gronhaug, K., Kristianslund, I., 1995, *Research Methods in Business Studies: A Practical Guide*, Prentice Hall International
- Ghoshal, S., 1998, Global Strategy: an Organizing Framework, in Segal-Horn, A., (ed.), *The Strategy Reader*, The Open University, Blackwell Business, 327-348
- Ghoshal, S., Bartlett, C., 1988, Creation, Adoption, and Diffusion on Innovations by Subsidiaries of Multinational Corporations, *Journal of International Business Studies*, 19, 365-388
- Ghoshal, S., Bartlett, C., 1990, The Multinational Corporation as an Interorganizational Network, *Academy of Management Review*, 15, 603-625
- Giddens, A., 1979, *Central Problems in Social Theory: Action, Structure, and Contradiction in Social Analysis*, Berkeley: University of California Press
- Glaser, B., 1978, *Advances in Methodology of Grounded Theory. Theoretical Sensitivity*, CA: The Sociology Press
- Glaser, B., Strauss, A., 1967, *The Discovery of Grounded Theory: Strategies of Qualitative Research*, London: Wiedenfeld and Nicholson
- Glaze, T., 1989, Cadbury's Dictionary of Competence, *Personnel Management*, July, 44-48



- Gospel, H., 1992, *Markets, Firms and the Management of Labour in Modern Britain*, Cambridge: Cambridge University Press
- Greenwood, R., Hinings, C., 1996, Understanding Radical Organisational Change: Bringing Together the Old and the New Institutionalism, *Academy of Management Review*, 21, 1022-1054
- Guest, D., 1987, Human Resource Management and Industrial Relations, *Journal of Management Studies*, 24, 503-521
- Guest, D., 1990, Human Resource Management and the American Dream, *Journal of Management Studies*, 27, 377-397
- Guest, D., Hoque, K., 1996, National Ownership and HR Practices in UK Greenfield Sites, *Human Resource Management Journal*, 6(4), 50-74
- Guillen, M., 1994, *Models of Management. Work, Authority, and Organisation in a Comparative Perspective*, Chicago: The University of Chicago Press
- Gurkov, I., 1995, Organisational Transformations of Russian Privatized Companies: Qualitative and Quantitative Analysis, *Management Report* REFNO 07530/227, Erasmus University, Rotterdam, Erasmus Institute for Advanced Studies in Management
- Gurkov, I., Kossov, V., 1994, Problems of the Survival of Industrial Companies: Postscript to a Survey of Textile Companies, *Delovoi Mir*, 11
- Gurkov, I., Kuz'minov, Y., 1995, Organizational Learning in Russian Privatized Enterprises, *International Studies of Management & Organization*, 25(4), 91-117
- Halborg, A., Adcock, D., 1993, Management Education and Perestroika, *Journal of European Business Education*, 3(1), 21-35
- Hales, C., 1986, *Managing Through Organization: The Management Process, Forms of Organization and the Work of Manager*, London: Routledge
- Hall, P., 1984, Patterns of Economic Policy: An Organisational Approach, in Bornstein, S, Held, D., and Krieger, J., (ed.), *The State in Capitalist Europe*, London: Unwin Hyman, 124-138
- Hall, P., 1986, *Governing the Economy*, Oxford: Oxford University Press
- Hall, D., Mirvis, P., 1995, Careers as Lifelong Learning, in A. Howard (ed.), *The Changing Nature of Work*, San Francisco: Jossey-Bass
- Hall, P., Soskice, D., 2001, *Varieties of Capitalism. The Institutional Foundations of Comparative Advantage*, Oxford, Oxford University Press
- Hamilton, G., Kao, C-S., 1990, The Institutional Foundation of Chinese Business: The Family Firm in Taiwan, *Comparative Social Research*, 12, 95-112
- Handy, C., Gordon, C., Gow, I., Randlesome, C., 1988, *Making Managers*, Pitman
- Hannah, L., 1983, *The Rise of the Corporate Economy*, (2<sup>nd</sup> ed.), Baltimore, MD: John Hopkins University Press
- Harding, J., 1998, When Expats Ought to Pack their Bags, *Financial Times*, 27 August, 8
- Harding, R., 1999, One Best Way? The Case of Germany in an Era of "Globalisation", *paper for EGOS 15<sup>th</sup> Colloquium*, 4<sup>th</sup>-6<sup>th</sup>-WBS

- Harzing, A., Sorge, A., Paauwe, J., 2000, Societal Embeddedness of International Strategies and Corporate Control in Multinational Enterprises: World-wide and European Close-quarter Perspective, paper submitted to *Organisational Studies*
- Hedlund, G., 1981, Autonomy of Subsidiaries and Formalization of Headquarter-Subsidiary Relations in Swedish MNCs, in Otterbeck, L., (ed.), *The Management of Headquarter-Subsidiary Relationships in Multinational Corporations*, New York: St Martin's Press.
- Hedlund, G., 1986, The Hypermodern MNC: A Heterarchy, *Human Resource Management*, Spring, 9-35
- Hedlund, G., 1993, Assumptions of Hierarchy and Heterarchy, with Applications to the Management of the Multinational Corporation, in Ghoshal, S., Westney, E., (ed.), *Organisation Theory and the Multinational Corporation*, London: Macmillan
- Heijltjes, M., Witteloostuijn, A., Sorge, A., 1996, Human Resource Management in Relation to Generic Strategies: a Comparison of Chemical and Food and Drink Companies in the Netherlands and Great Britain, *International Journal of Human Resource Management*, 7(2), 383-412
- Hellgren, B., Melin, M., 1992, Business Systems, Industrial Wisdom and Corporate Strategies: The Case of the Pulp and Paper Industry, in Whitley, R., (ed.), *European Business Systems: Firms and Markets in their National Contexts*. London: Sage
- Hendry, C., Pettigrew, A., Sparrow, P., 1988, The Forces that Trigger Training, *Personnel Management*, December, 28-32
- Hendry, C., 1990, The Corporate Management of Human Resources under Conditions of Decentralization, *British Journal of Management*, 1(1), 91-103
- Hendry, C., 1992, HRM in Internationalisation and Domestic Business Management: Is there any Difference, *WBS Research Papers*, 63
- Hendry, C., 1994, *Human Strategies for International Growth*, London
- Hendry, C., 1996, Continuities in Human Resource Processes in Internationalization and Domestic Business Management, *Journal of Management Studies*, 33(4), 475-494
- Hendry, C., Pettigrew, 1990, A., Human Resource Management: An Agenda for the 1990s, *International Journal of Human Resource Management*, 1(1), 17-45
- Hendry, C., Pettigrew, A., 1992, Patterns of Strategic Change in the Development of Human Resource Management, *British Journal of Management*, 3, 137-156
- Herrigel, G., 1996, *Industrial Constructions: The Sources of German Industrial Power*, Cambridge: Cambridge University Press
- Hickson, D., Pugh, D., 1995, *Management Worldwide: the Impact of Societal Culture on Organisations Around the Globe*, London: Penguin Books
- Hoffman, A., 1999, Institutional Evolution and Change: Environmentalism and the U.S. Chemical Industry, *Academy of Management Journal*, 42(4), 351-371
- Hofstede G., 1980, *Culture's Consequences: International differences in Work-related Values*, London: Sage
- Hofstede, G., 1992, Cultural Dimensions in People Management: The Socialization Perspective, in Pucik, V., Tichy, N., Barnett, C., (ed.), *Globalizing Management. Creating and Leading the Competitive Organisation*, NY: John Wiley, 139-158



- Hofstede, G., 1993, Cultural Constraints in Management Theories, *Academy of Management Executive*, 7(1), 81-94
- Holden, N., 1992, *Management Training in Russia: Issues in Courses Design Development and Evaluation*, Manchester: Brooke Publications
- Holden, N., Cooper, C., 1994, Russian Managers as Learners: Implications for Theories of Management Learning, *Management Learning*, 25(4), 503-526
- Holden, N., Cooper, C., Carr, J., 1998, *Dealing with the new Russia. Management cultures in collision*, John Wiley and Sons Ltd.
- Hollingsworth, R., Schmitter, P., Streeck, W., (ed.), 1994, *Governing Capitalist Economies*, New York: Oxford University Press
- Holmes, L., Joyce, P., 1993, Rescuing the Useful Concept of Managerial Competence: From Outcomes Back to Process, *Personnel Review*, 22(6), 37-52
- Hollingsworth, J. and Streeck, W., 1994, Countries and Sectors: Concluding Remarks on Performance, Convergence and Competitiveness, in Hollingsworth, J., (ed.), *Governing capitalists economies*, Oxford: Oxford University Press
- Hollingsworth, J., 1997, Continuities and Changes in Social Systems of Production: The Cases of Japan, Germany and the United States, in Hollingsworth, J., and Boyer, R. (ed.), *Comparing capitalisms: The Embeddedness of Institutions*. Cambridge: Cambridge University Press
- Hollingsworth, J., Boyer, R., (ed.), 1997, *Contemporary Capitalism: The Embeddedness of Institutions*, Cambridge: Cambridge University Press
- Howell, J., 1994, *Understanding Eastern Europe: The Context of Change*, Kogan Page
- Hutton, W., 1996, *The State We're in*, London: Vintage
- Hyman, R., 1995, The Historical Evolution of British Industrial Relations, in Edwards, P., (ed.), *Industrial Relations. Theory and Practice in Britain*, Oxford: Blackwell, 27-49
- Iverson, R., 1996, Employee Acceptance of Organizational Change: The Role of Organizational Commitment, *International Journal of Human Resource Management*, 7(1), 122-149
- Jacques, R., 1996, *Manufacturing the Employee: Management Knowledge from the 19th to the 21st Centuries*, London: Sage
- Jobber, D., Choosing a Survey Method in Management Research, *The Management Research Handbook*, London: Routledge
- Johnson, C., 1982, *MITI and the Japanese Miracle*, Stanford, California: Stanford University Press
- Jorgensen, D., 1989, *Participant Observation: A Methodology for Human Studies*, CA: Sage Publications
- Kahan, A., Weiss, R., 1989, *Russian Economic History (the Nineteenth Century)*, London: The University of Chicago Press, Ltd.
- Kamoche, K., 1996, The Integration-differentiation Puzzle: A Resource-capability Perspective in International Human Resource Management, *Journal of Human Resource Management*, 7(1), 230-244
- Kanter, 1989, *When Giants Learn to Dance*, London: Simon and Schuster

- Kay, J., 1993, *Foundations of Corporate Success: How Business Strategies Add Value*, Oxford: Oxford University Press
- Keep, E., 1989, Corporate Training Strategies: the Vital Component?, in Storey, J., (ed.), *New perspectives in Human Resource Management*, London, Routledge, 109-125
- Keep, E., Mayhew, K., 1998, Was Ratner right? Product market and Competitive Strategies and Their Links with Skills and Knowledge, *Economic Review*, 12(3), 1-15
- Keep, E., Rainbird, H., 1995, Training, in Edwards, P., (ed.), *Industrial Relations. Theory and Practice in Britain*, Oxford: Blackwell, 515-542
- Kimpelainen, E., Tolstaya, A., 1999, Expatriate Leadership in Russia: The General Manager's Perspective, *Amrop International Russia report*, Moscow
- Klyuchevsky, V., 1987, *Works in 9 Volumes, Vol. 1 Russian History*, Moscow: Mysl
- Kogut, B., Zander, U., 1992, Knowledge of the Firm, Combinative Capabilities, and the Replication of Technology, *Organization Science*, 3(3), 383-397
- Kogut, B., Zander, U., 1993, Knowledge of the Firm and the Evolutionary Theory of the Multinational Corporation, *Journal of International Business Studies*, 24, 625-645
- Kolb, D., 1984, *Experiential Learning*, NJ: Prentice-Hall, Englewood Cliffs
- Koontz, H., 1968, *Principles of Management*, (4<sup>th</sup> ed.), NY: O'Donnell
- Kossov, V., Gurkov, I., 1995, The System of Management in Modern Russia. Legacy of the Command Economy and Current Transformations, *International Studies of Management and Organisation*, 25(4), 9-27
- Kostova, T., 1999, Transnational Transfer of Strategic Organisational Practices: A Contextual Perspective, *Academy of Management Review*, 24(2), 308-325
- Kotter, J., 1982, *The General Manager*, New York: Free Press
- Kozlova, T., Puffer, S., 1994, Public and Private Business Schools in Russia: Problems and Prospects, *European Management Journal*, 12(4), 462-468
- Kraatz, M., and Zajac, E., 1996, Exploring the Limits of the New Institutionalism: The Causes and Consequences of Illegitimate Organisational Change, *American Sociological Review*, 61, 812-836
- Kristensen, P., 1996, On the Constitutions of Economic Actors in Denmark: Interacting Skill Containers and Project Coordinators, in Whitley, R., Kristensen, P., (ed.), *The Changing European Firm: Limits to Convergence*, London: Routledge
- Kristensen, P., 1997, National Systems of Governance and Managerial Strategies in the Evolution of Work Systems: Britain, Germany and Denmark Compared, in Whitley R., Kristensen, P., (ed.), *Governance at Work: The Social Regulation of Economic Relations*, Oxford: Oxford University Press
- Kristensen, P., Zeitlin, J., 2001, The Making of a Global Firm: Local Pathways to Multinational Enterprise, in Morgan, G., Kristensen, P., Whitley, R., (ed.), *The Multinational Firm. Organising Across Institutional and National Divides*, Oxford: Oxford University Press
- Lane, C., 1989, *Management and Labour in Europe*, Aldershot: Edward Edgar



- Lane, C., 1992, European Business System: Britain and Germany Compared, in Whitley, R., (ed.), *European Business Systems: Firms and Markets in their National Contexts*, London, Sage
- Lane, C., 1994, Industrial Order and the Transformation of Industrial Relations: Britain, Germany and France Compared, in Hyman, R., Ferner, A. (ed.), *New Frontiers in European Industrial Relations*, Oxford: Blackwell
- Lane, C., 1999, The Impact of German Multinational Companies' Foreign Direct Investment Activities on the German Business System, *paper for EGOS 15<sup>th</sup> Colloquium*, 4<sup>th</sup>-6<sup>th</sup>-July, WBS
- Langlois, R., Robertson, P., 1995, *Firms, Markets and Economic Change*, London: Routledge
- Larsen, H., 1996, In Search of Management Development in Europe: From Self-fulfilling Prophecies to Organizational Competence, *International Journal of Human Resource Management*, 7(3), 657-676
- Lash, S., Urry, J., 1987, *The End of Organised Capitalism*, Cambridge: Polity Press
- Laurent, A., 1983, The Cultural Diversity of Western Conceptions of Management, *International Studies of Management and Organisation*, Spring-Summer
- Laurent, A., 1986, The Cross-cultural Puzzle of International Human Resource Management, *Human Resource Management*, 25, 91-102
- Laurent, A., 1989, A Cultural View of Organisational Change, in Evans, P., Doz, Y., Laurent, A., (ed.), *Human Resource Management in International Firms. Change, Globalisation, Innovation*, Basingstoke: Macmillan, 83-99
- Lawrence, P., 1980, *Managers and Management in West Germany*, London: Croom Helm
- Lawrence, P., 1993, Through a Glass Darkly: Towards a Characterization of British Management, *paper presented at the Professions and Management in Britain conference*, University of Stirling, Scotland
- Lawrence, P., Lorsch, J., 1967, *Organisation and Environment*, Boston, MA: Harvard University Press
- Lawrence, P., Vlachoutsicos, C., (ed.), 1990, *Behind The Factory Walls. Decision Making in Soviet and US Enterprises*, MA: Harvard Business School
- Lazonick, W., 1986, Strategy, Structure, and Management Development in the United States and Britain. In K. Kobayashi and H. Morikawa (ed.), *Development of Managerial Enterprise*, Tokio: University of Tokio Press (reprinted in W. Lazonick, 1992, *Organization and Technology in Capitalist Development*, Aldershot: Elgar Publishing
- Lazonick, W., 1990, *Competitive Advantage on the Shop Floor*, Cambridge, MA: Harvard University Press
- Lazonick, W., 1991, *Business organisation and the myth of the market economy*, Cambridge, MA: Harvard University Press.
- Lazonick, W., O'Sullivan, M., 1996, Organisation, Finance and International Competition, *Industrial and Corporate Change*, 5, 1-49
- Lazonick, W., O'Sullivan, M., 2000, Maximising Shareholder Value: A New Ideology of Corporate Governance, *Economy and Society*, 29(1), 13-35

- Lazonick, W., Dore, R., de Jong, H., and Admiraal P., (ed.), 1997, *The Corporate Triangle. The Structure and Performance of Corporate Systems in a Global Economy*, Oxford: Blackwell
- Lazonick, W., West, J., 1998, Organisational Integration and Competitive Advantage, in Dosi, G., et al., (ed.), *Technology, Organisation and Competitiveness*, Oxford: Oxford University Press
- Legge, K., 1989, Human Resource Management A Critical Analysis, in J. Storey (ed.), *New Perspectives on Human Resource Management*, London, Routledge.
- Lengnick-Hall, C., Lengnick-Hall, M., 1988, Strategic Human Resources Management: A Review of the Literature and a Proposed Typology, *Academy of Management Review*, 13(3), 454-470
- Lester, T., 1994, Balancing Act, *International Management*, 49(7), 30-31
- Lipsitz, I., 1995, Russian Managers Under Conditions of Reform and Crisis. Performance Appraisal, *International Studies of Management and Organisation*, 25(4), 77-90
- Lodge, G., Vogel, E., (ed.), 1987, *Ideology and National Competitiveness*, Boston: Harvard Business School Press
- Longenecker, C., Popovski, S., 1994, Managerial Trial of Privatization Retooling Russian managers, *Business Horizons*, 37(6), 35-43
- Luthans, F., Welsh, D., Rosenkrantz, S., 1993, What do Russian managers Really Do? An Observational Study with Comparisons to US managers, *Journal of International Business Studies*, 24(4)
- Maljers, F., 1992, Inside Unilever: The Evolving Transnational Company, *Harvard Business Review*, September – October, 46-51
- March, J., Simon, H., (ed.), 1966, *Handbook of Organizations*, Rand McNally
- Margerison, C., 1993, Career Choices and Management Development, *Management Development Review*, 6 (4), 14-18
- Marginson, P., Sisson, K., 1994, The Structure of Transnational Capital in Europe: The Emerging Euro-Company and its Implications for Industrial Relations, in Hyman, R., and Ferner, A., (ed.), *New Frontiers in European Industrial Relations*, Oxford: Blackwell, 15-51
- Marginson, P., Sisson, K., 1996, Multinational Companies and the Future of Collective Bargaining: A Review of the Research Issues, *European Journal of Industrial Relations*, 2(2), 173-197
- Marsh, P, 01.02.1996, Why Work Is Just a Temporary Thing: Production Lines Are Increasingly Staffed by Short-Term Labour to Create Greater Flexibility, *Financial Times*
- Martinez, Z., Ricks, D., 1989, "Multinational Parent Companies" Influence over Human Resource Divisions in Affiliates: US Firms in Mexico, *Journal of International Business Studies*, 20, 465-487
- Maurice, M., 1979, For a Study of "the Societal Effect": Universality and Specificity in Organisation Research, in Lammers, C., Hickson, D., (ed.), *Organizations Alike and Unlike*, London: Routledge



- Maurice, M., Sorge, A., Warner, M., 1980, Societal Differences in Organising Manufacturing Units, *Organisation Studies*, 1, 59-86
- Maurice, M., Sellier, F., Silvestre, J-J, 1986, *The Social Foundation of Industrial Power*, Cambridge, MA: MIT Press
- Maurice, M., Sorge, A., (ed.), 2000, *Embedded Organisations. Societal Analysis of Actors, Organisations and Socio-economic Context*, Amsterdam / Philadelphia: Benjamins
- May, R., Bormann Young, C., Ledgerwood, D., 1998, Russian Human Resource Management, *European Management Journal*, 16 (4), 447-459
- McFarlin, D., Sweeney, P., Cotton, J., 1992, Attitudes toward Employee Participation in Decision-Making: A Comparison of European and American Managers in a United States Multinational Company, *Human Resource Management*, 31 (4), 363-383
- McKinlay, A., Starkey, K., 1992, Strategy and Human Resource Management, *International Journal of Human Resource Management*, 3, 435-450
- McPherson, A., Roche W., 1997, Peripheral Location Equals Localised Labour? Multinationals and the Internationalisation of Training and Development in Ireland, *International Journal of Human resource Management*, 8(4)
- Meyer, A., 1982, Adapting to Environmental Jolts, *Administrative Science Quarterly*, 27, 515-537
- Meyer, A., Brooks, G., Goes, J., 1990, Environmental Jolts and Industry Revolutions: Organisational Responses to Discontinuous Change, *Strategic Management Journal*, 11, 93-110
- Meyer, A., Tsui, A., Hinings, C., 1993, Configurational Approaches to Organisational Analysis, *Academy of Management Journal*, 36, 1175-1195
- Meyer, J., Rowan, B., 1977, Institutionalised Organisations: Formal Structure as Myth and Ceremony, *American Journal of Sociology*, 83, 340-363
- Miles, M., Huberman, A., 1994, *Qualitative Data Analysis. An Expanded Sourcebook*, (2<sup>nd</sup> ed.), California: Sage
- Miles, R., Snow, C., 1978, *Organizational Strategy, Structure and Process*, New York: McGraw-Hill
- Miles, R., Snow, C., 1984, Designing Strategic Human Resource Systems, *Organizational Dynamics*, Summer, 36-52
- Milgrom, P., Roberts, J., 1992, *Economics, Organisation and Management*, Englewood Cliff, NJ: Prentice Hall
- Milliman, J., Von Glinow, M., Nathan, M., 1991, Organizational Life Cycles and Strategic International Human Resource Management: Implications for Congruence Theory, *Academy of Management Review*, 16, 318-339
- Mintzberg, H., 1973, *The Nature of Managerial Work*, New York: Harper and Row
- Mitchell, J., 1983, Case and Situation Analysis, *Sociological Review*, 31
- Mohrman, S., Lawler, E., III, 1997, Transforming the Human Resource function, *Human Resource Management*, 36(1), 157-162

- Morgan, G., 2001, The Multinational Firm: Organising Across Institutional and National Divides, in Morgan, G., Kristensen, P., Whitley, R., (ed.), *The Multinational Firm. Organising Across Institutional and National Divides*, Oxford: Oxford University Press
- Mueller, F., 1994, Societal Effect, Organizational Effect and Globalization, *Organisation Studies*, 15(3), 407-428
- Mumford, A., 1987, Using Reality in Management Development, *Management Education and Development*, 18(3), 223-243
- Mumford, A., 1988, *Developing Top Managers*, Gower, Aldershot
- Mumford, A., 1993, *Management Development: Strategies for Action*, (2<sup>nd</sup> ed.), London: Institute of Personnel Management
- Mumford, E., Pettigrew, A., 1975, *Implementing Strategic Decisions*, London and New York: Longman
- Nelson, D., 1983, (ed.), *Poland: A Country Study*, US Government
- Newell, H., Dopson, S., 1996, Middle in the Middle: Organisational Restructuring and Middle Management Careers, *Personnel Review*, 25 (4), 4-20
- Nohria, N., Ghoshal, S., 1990, Requisite Complexity: Organising Headquarters-subsidiary Relations in MNCs, *Working Paper* 91-109, Harvard University, Division of Research, Graduate School of Business Administration, Boston
- Oram, R., 20.12.1994, People: Unilever, *Financial Times*
- Oram, R., 31.07.1996a, Consumerism's New Citadel, *Financial Times*
- Oram, R., 14.03.1996b, Unilever to Streamline Management Structure: Anglo-Dutch Consumer Goods Group Decides Against Breaking Up As It Unveils Top-Level Revamp, *Financial Times*
- Osbaldeston, M., Barham, K., 1992, Using Management Development for Competitive Advantage, *Long Range Planning*, 25 (6), 18-24
- Osbaldeston, M., 1993, Developing Managers for the European Market, *Management Development Review*, 6(1), 26-32
- Osterman, P., 1991, Impact of IT on Jobs and Skills, in Morton, S., (ed.), *The Corporation of the 1990s: Information Technology and Organisational Transformation*, New York: Oxford University Press
- Ostrovsky, A., 04.11.1998, On the Banks of the River Ob the Russian Economy Shows Its Two Faces, *Financial Times*, 2
- Otala, L., 1992, *European Approaches to Lifelong Learning*, Forum Report, CRE-ERT, The European University-Industry Forum
- Parkhe, A., 1996, International Joint Ventures, *Handbook for International Management Research*, MA: Blackwell Publishers
- Penrose, E., 1980, *The theory of the Growth of the Firm*, Oxford: Blackwell
- Perlmutter, H., 1965, *Towards a Theory and Practice of Social Architecture: the building of indispensable institutions*, London: Tavistock
- Perlmutter, H., 1969, The Tortuous Evolution of the Multinational Corporation, *Columbia Journal of World Business*, 4



- Perrow, C., 1986, *Complex Organisations: A Critical Essay*, (3<sup>rd</sup> ed.), NY: McGraw-Hill
- Peters, T., Waterman, R., 1982, *In Search of Excellence: Lessons from America's Best-Run Companies*, NY; London: Harper and Row
- Pettigrew, A., 1973, *The Politics of Organisational Decision Making*, Tavistock Publications
- Pettigrew, A., 1990, Longitudinal Field Research on Change: Theory and Practice, *Organisation Science*, 1(3), 267-292
- Pettigrew, A., 1997, What is a Processual Analysis? *Scandinavian Journal of Management*, 13(4), 337-348
- Pfeffer, J., 1994, *Competitive Advantage through People: Unleashing the Power of the Work Force*, Boston, MA: Harvard Business School Press
- Pfeffer, J., 1995, Producing Sustainable Competitive Advantage Through the Effective Management of People, *Academy of Management Executive*, 9, 55-69
- Pfeffer, J., 1997, *New Directions for Organisation Theory: Problems and Prospects*. New York: Oxford University Press
- Pfeffer, J., Salancik, G., 1978, *The External Control of Organizations: A Resource Dependence Perspective*, NY: Harper and Row
- Piskotin, M., 1988, *Socialism and State Management*, (2<sup>nd</sup> ed.), Moscow: Nauka
- Pollert, A., 1993, The Single European Market, Multinational and Concentration: The Case of Food Manufacturing, *Journal of Public Policy*, 13(3), 279-298
- Popov, G., 1985, *Effective Management*, (2<sup>nd</sup> ed.), Moscow: Ekonomika
- Porter, M., 1980, *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, New York: The Free Press
- Porter, M., 1985, *Competitive Advantage: Creating and Sustaining Superior Performance*, New York: The Free Press
- Porter, M., 1987, From Competitive Advantage to Corporate Strategy, *Harvard Business Review*, May-June, 43-59
- Porter, M., 1990, *The Competitive Advantage of Nations*, London/Basingstoke: Macmillan
- Porter, M., 1991, Towards a Dynamic Theory of Strategy, *Strategic Management Journal*, 12, 95-117
- Prahalad, C., 1990, Globalisation, *Human Resource Management*, 29
- Prahalad, C., Doz, Y., 1987, *The Multinational Mission. Balancing Local Demands and Global Vision*, New York: The Free Press
- Prahalad, C., Hamel, G., 1990, The Core Competence of the Corporation, *Harvard Business Review*, 68(3), 79-91
- Prahalad, C., Lieberthal, K., 1998, The End of Corporate Imperialism, *Harvard Business Review*, July-August, 69- 79
- Pucik V., 1997, Human Resources in the Future: An Obstacle or a Champion of Globalisation?, *Human Resource Management*, 36(1), 163-167

- Puffer, S., 1992 *The Russian Management Revolution: Preparing Managers for the Market Economy*, NY: M.E. Sharpe, Inc.
- Puffer, S., 1994, Understanding the Bear: A Portrait of Russian Business Leaders, *Academy of Management Executive*, 8(1), 41-54
- Puffer S., and McCarthy, 1995, Finding the Common Ground in Russian and American Business Ethics, *California Management Review*, 37(2), 29-46
- Puffer, S., (ed.), 1996, *Business and Management in Russia*, College of Business Administration, Northeastern University Press
- Pugh, D., 1990, Introduction to the 3<sup>rd</sup> edition, in Pugh, D., (ed.), *Organisation Theory: Selected Readings*, London: Penguin Books
- Purcell, J., 1989, The Impact of Corporate Strategy on HRM, in Storey, J., (ed.), *New Perspectives on HRM*, London: Routledge
- Quack, S., Morgan, G., Whitley, R., (ed.), 2000, *National Capitalisms, Global Competition and Economic Performance*, Amsterdam: Benjamins
- Rainbird, H., 1994, The Changing Role of the Training Function: A Test for the Integration of HR and Business Strategies?, *Human Resource Management Journal*, 5(1)
- Ranson, S., Stewart, J., 1994, *Management for the Public Domain*, London: Macmillan
- Rasanen, K., Whipp, R., 1992, National Business Recipes: A Sector Perspective, in Whitley, R., (ed.), *European Business Systems, Firms and Markets in their National Contexts*, London: Sage Publications, 46-60
- Redding, S., 1990, *The Spirit of Chinese Capitalism*, Berlin: de Gruyter
- Ricks, D., 1993, International Management Research: Past Present and Future, in *International Management Research: Looking to the Future*, NY: Walter de Gruyter
- Rodgers, R., Wong, J., 1996, Human Factors in the Transfer of the "Japanese Best Practice" Manufacturing System to Singapore, *International Journal of Human Resource Management*, 7(2), 455-488
- Rodrik, D., 1997, *Has Globalisation Gone Too Far?*, Washington: Institute for International Economics
- Rosenzweig, P., Nohria, N., 1994, Influences on Human Resource Management Practices in Multinational Corporations, *Journal of International Business Studies*, 25(2), 229-251
- Rosenzweig, P., Singh, J., 1991, Organizational Environments and the Multinational Enterprise, *Academy of Management Review*, 16 (2), 340-361
- Rowlinson, M., 1995, Strategy, Structure and Culture: Cadbury, Divisionalisation and Merger in the 1960s, *Journal of Management Studies*, 32(2), 121-140
- Sako, M., 1992, *Prices, Quality and Trust*, Cambridge: Cambridge University Press
- Scarbrough, H., 1998, The Unmaking of Management? Change and Continuity in British Management in the 1990s, *Human Relations*, 51(6), 691-715
- Scase, R. and Goffee, R., 1989, *Reluctant Managers. Their Work and Lifestyles*, London: Unwin Hyman



- Schaeffer, R., 1989, Matching International Business Growth and International Management Development, *Human Resource Planning*, 12, 29-35
- Schneider, S., 1986, National vs Corporate Culture: Implications for Human Resource Management, *Human Resource Management*, 27(2), 231-246
- Schotter, A., 1981, *The Economic Theory of Social Institutions*, Cambridge: Cambridge University Press
- Schreiner, O., 29 November-12 December, 1, 1997, *The Career Forum*, Moscow
- Schuler, R., 1987a, Personnel and Human Resource Management Choices and Organizational Strategy, *Human Resource Planning*, 10, 1-17
- Schuler, R., 1987b, *Personnel and Human Resource Management*, St. Paul, MN: West Publishing
- Schuler, R., 1989, Strategic Human Resource Management and Industrial Relations, *Human Relations*, 42 (2), 157-184
- Schuler, R., 1990, Repositioning the Human Resource Function: Transformation or Demise?, *Academy of Management Executive*, 4, 49-60
- Schuler, R., 1992, Strategic Human Resource Management: Linking the People with the Strategic Needs of the Business, *Organizational Dynamics*, Summer, 18-32
- Schuler, R., Dowling, P., De Cieri, H., 1993, An Intergative Framework of Strategic International Human Resource Management, *International Journal of Human Resource Management*, 4, 717-764
- Scott, J., 1985, *Corporations, Classes and Capitalism* (2<sup>nd</sup> ed.), London: Hutchinson
- Scott, R., 1991, Unpacking Institutional Arguments. In W. Powell and P. DiMaggio (ed.), *The New Institutionalism in Organisational Analysis*, Chicago: University of Chicago Press, 164-182
- Scott, R., 1995, *Institutions and Organisations*. Thousand Oaks, CA: Sage
- Selznick, P., 1957, *Leadership in Administration: A Sociological Interpretation*, New York: Harper & Row
- Shama, A., 1993, Management Under Fire: the Transformation of Managers in the Soviet Union and Eastern Europe, *Academy of Management Executive*, 7(1), 22-35
- Sharpe, D., 2001, Globalisation and Change: Organisational Continuity and Change within a Japanese Multinational in the UK, in Morgan, G., Kristensen, P., Whitley, R., (ed.), *The Multinational Firm. Organising Across Institutional and National Divides*, Oxford: Oxford University Press
- Sheard, A., 1992, Learning to Improve Performance, *Personnel Management*, November, 40-45
- Shekshnia, S., 1998, Western Multinational's HRM in Russia, *European Management Journal*, 16(4), 460-465
- Sisson, K., 1987, *The Management of Collective Bargaining. An International Comparison*, Oxford: Blackwell
- Sisson, K., Storey, J., 1988, Developing Effective Managers: A Review of the Issues and an Agenda for Research, *Personnel Review*, 17(4), 3-9

- Simon, H., 1965, The New Science of Management Decision, in *The Shape of Automation for Men and Management*, Harper & Row
- Skidelsky, R., Halligan, L., 1996, *Macroeconomic Stabilisation in Russia: Lessons of Reform 1992-95*, London: Social Market Foundation
- Sligo, F., 1996, Disseminating Knowledge to Build a Learning Organization, *International Journal of Human Resource Management*, 7(2), 508-520
- Smith, N., 1991, The Case Study: a Vital Yet Misunderstood Research Method for Management, *The Management Research Handbook*, London: Routledge
- Smith, C., 1995, *Japan, The Hybrid Factory and Cross-National Organisational Theory*, working paper series, RP9502, Ashton Business School, UK
- Smith, C., Child, J., Rowlinson, M., 1990, *Reshaping Work. The Cadbury Experience*, Cambridge: Cambridge University Press
- Smith, C., Elger, T., 1993, Global Japanization? Convergence and Competition in the Organization of the Labour Process, *paper presented at 11<sup>th</sup> Labour Process Conference*, Blackpool
- Smith, C., Elger, T., 1997, International Competition, Inward Investment and the Restructuring of European Work and Industrial Relations, *European Journal of Industrial Relations*, 3(3), 279-304
- Smith, C., Elger, T., 1999, The Societal Effects School and Transnational Transfer: The Case of Japanese Investment in Britain, *paper for EGOS 15<sup>th</sup> Colloquium*, 4<sup>th</sup>-6<sup>th</sup>-July, WBS
- Solovev, S., 1988, *Works in 18 Books*, Moscow: Mysl
- Sonnenfeld, J., Peiperl, M., Kotter, J., 1988, Strategic Determinants of Managerial Labour Markets: A Career Systems View, *Human Resource Management*, 27(4), 369-388
- Sorge, A., 1991, Strategic Fit and the Social Effect: Interpreting Cross-National Comparisons of Technology, Organisation and Human Resources, *Organisational studies*, 12(2), 161-190.
- Sorge, A., 1992, Human Resource Management in the Netherlands, *Employee Relations*, 14, 71-84
- Sorge, A., 1995, Cross-National Differences in Personnel and Organisation, in Harzing, A., Ruysseveldt, J., (ed.), *International Human Resource Management*, London: Sage
- Sorge, A., 1996, Societal Effects in Cross-national Organisational Studies: Conceptualising Diversity in Actors and Systems, in Whitley, R., Kristensen, P., (ed.), *The changing European firm: Limits to convergence*, London: Routledge
- Sorge, A., 2000, The Diabolical Dialectics of Societal Effects, in Maurice, M., Sorge, A., (ed.), *Embedding Organisations*, Amsterdam / Philadelphia: Benjamins
- Sorge, A., Warner, M., 1986, *Comparative Factory Organisation*, Aldershot: Gower
- Sparrow, P. and Hiltrop, J-M., 1994, *European Human Resource Management in transition*, London: Prentice Hall



- Sparrow, P., Hiltrop, J-M., 1997, Redefining the Field of European human Resource Management: a Battle between National Mindsets and Forces of Business Transition?, *Human Resource Management*, Summer, 36(2)
- Stalk, G., Evans, P., Shulman, L., 1992, Competing on Capabilities: The New Rules of Corporate Strategy, *Harvard Business Review*, March-April, 57-69
- Standing, G., 1996, *Russian Unemployment and Enterprise Restructuring*, Geneva: International Labour Office
- Stewart, R., 1970, *The Reality of Organisations*, London: Macmillan
- Stewart, R., 1976, *Contrasts in Management*, London: McGraw-Hill
- Stewart, R., 1984, The Nature of Management? A Problem for Management Education, *Journal of Management Studies*, 21(3), 323-330
- Stewart, R., 1990, What is Happening to Middle Managers?, *British Journal of Management*, Spring, 3-16
- Stewart, R., Barsoux, J-L., Kieser, A., Ganter, H-D., Walgenbach, P., 1994, *Managing in Britain and Germany*, London: Macmillan
- Storey, J., 1980, *The Challenge to Management Control*, London: Kogan Page
- Storey, J., 1985, The Means of Management Control, *Sociology*, 19(2), 193-211
- Storey, J., 1989, Management Development: A Literature Review and Implications for Future Research. Part I: Conceptualisations and Practices, *Personnel Review*, 18(6), 3-16
- Storey, J., 1990, Management Development: A Literature Review and Implications for Future Research - Part II: Profiles and Contexts, *Personnel Review*, 19(1), 3-11
- Storey, J., 1991, Do the Japanese Make Better Managers?, *Personnel Management*, August, 24-28
- Storey, J., Okazaki-Ward, L., Gow, I., Edwards, P., Sisson, K., 1991, A Comparative Analysis of Britain and Japan, *Human Resource Management Journal*, Spring, 33-57
- Storey, J., 1992, HRM in Action: The Truth is Out at Last, *Personnel Management*, 28-31
- Storey, J., 1992, *Developments in the Management of Human Resources*, Oxford: Blackwell
- Storey, J., Edwards, P., Sisson, K., 1997, *Managers in the making: Careers, Development and Control in Corporate Britain and Japan*, London: Sage
- Storey, J., Sisson, K., 1993, *Managing Human Resource and Industrial Relations*, Buckingham: Open University Press
- Streeck, W., 1997, German Capitalism: Does it exist? Can it survive? In Crouch, C., Streeck, W., (ed.), *Political Economy of Modern Capitalism*, London: Sage, 33-55
- Suutari, V., 1996, Variation in the Average Leadership Behaviour of Managers Across Countries: Finnish Expatriates' Experiences from Germany, Sweden, France and Great Britain, *International Journal of Human Resource Management*, 7(3), 677-707
- Sutton, A., 1968, *Western Technology and Soviet Economic Development 1917-1930*, Stanford, CA: Hoover Institution

- Swidler, A., 1986, Culture in Action: Symbols and Strategies, *American Sociological Review*, 51(2), 273-286
- Sylla, R., Toniolo, G., (ed.), 1991, *Patterns of European Industrialization*, London: Routledge
- Szulanski, G., 1996, Exploring Internal Stickiness: Impediments to the Transfer of Best Practice Within the Firm, *Strategic Management Journal*, 17 (Winter Special Issue), 27-43
- Tappan, M., 1995, The Russian Manager, *Foreign Trade and Investment Review*, 3
- Tayeb, M., 1993, English Culture and Business Organisations, in Hickson, D., (ed.), *Management in Western Europe. Society, Culture and Organisation in Twelve Nations*, Berlin: DeGruyter, 47-64
- Tayeb, M., 1994, Japanese Managers and British Culture: A Comparative Case Study, *International Journal of Human Resource Management*, 5(1), 145-166
- Tayeb, M., 2001, Conducting Research Across Cultures: Overcoming Drawbacks and Obstacles, *International Journal of Cross Cultural Management*, 1(1), 91-108
- Teather, D., 1995, Out of the Cold, *Marketing*, November, 26-29
- Teece, D., Pisano, G., 1998, The Dynamic Capabilities of Firms in Dosi, G., Teece, D., Chytry, J., (ed.), *Technology, Organisation and Competitiveness*, Oxford: Oxford University Press
- Thelen, K., 1991, *Unions of Parts: Labour Politics in Post-war Germany*, Ithaca, New York: Cornell University Press
- Thornhill, J., 04.09.1996, Biting the Bullet, *Financial Times*
- Thornhill, J., 31.07.1996, Opportunities Blossom in the Wild East, *Financial Times*, 10
- Tijmstra, S., Casler, K., 1992, Management Learning for Europe, *European Management Journal*, 10(1), 30-37
- Torrington, D., 1989, *Human Resource Management and the Personnel Function*, in Storey, J., (ed.), *New Perspectives on Human Resource Management*, London: Routledge
- Townley, B., 1993, Performance Appraisal and the Emergence of Management, *Journal of Management Studies*, 30(2), 221-238
- Trompenaars, F., 1992, *Riding the Wages of Culture. Understanding Cultural Diversity in Business*, London: Nicholas Brealey Publishing
- Trompenaars, F., Woolliams P., 1999, First-class Accommodation, *People Management*, April, 30-37
- Tsoukas, H., 1989, The Validity of Idiographic Research Explanations, *Academy of Management Review*, 14(4), 551-561
- Tung, R., Havlovic, S., 1996, Human Resource Management in Transitional Economies: the Case of Poland and the Czech Republic, *International Journal of Human Resource Management*, 7(1), 1-19
- Tyson, S., Witcher, M., 1994, Getting in Gear: Post-recession HR Management, *Personnel Management*, August, 26, 20-23



- Tyson, S., Witcher, M., Doherty, N., 1994, *Different Routes to Excellence*, Cranfield: Cranfield School of Management
- Ulrich, D., 1997, HR of the Future: Conclusions and Observations, *Human Resource Management*, Spring, 36(1), 175-179
- Van Maanen, J., 1979, Reclaiming Qualitative Methods for Organisational Research: A Preface, *Administrative Science Quarterly*, 24, December, 520-526
- Van Maanen, J., (ed.), 1982, *Qualitative Methodology*, Beverly Hills: Sage
- Vineall, T., 1988 Creating a Multinational Management Team, *Personnel management*, October, 44-52
- Warner, M., Denezhkina, E., Campbell, A., 1993, How Russian Managers Learn, Judge Institute of Management Studies, *Research paper*, N 23, September
- Warner, M., 1990, Developing Key Human Resources in China: An Assessment of University Management Schools in Beijing, Shanghai and Tianjin in the decade 1979-88, *International Journal of Human Resource Management*, 1(1), 87-106
- Welch, D., 1994, HRM Implications of Globalisation, *Journal of General Management*, 19(4), 52-67
- Welch, D., Welch, L., 1997, Pre-expatriation: The Role of HR Factors in the Early Stages of Internationalisation, *International Journal of Human Resource Management*, 8(4), 402-413
- Welsh, D., Luthans, F., Sommer, S., 1993, Managing Russian Factory Workers: the Impact of U.S.-Based Behavioral and Participative Techniques, *Academy of Management Journal*, 36(1), 58-79
- White, M., Trevor, M., 1983, *Under Japanese Management*, London: Heinemann
- Whitley, R., 1989, On the Nature of Managerial Tasks and Skills: Their Distinguishing Characteristics and Organization, *Journal of Management Studies*, 26(3), 209-224
- Whitley, R., et al, 1992, Societies, Firms and Markets: The Social Structuring of Business Systems, in Whitley R., (ed.), *European Business Systems: Firms and Markets in their National Contexts*, London, Sage, 5-45
- Whitley, R., 1994, Dominant Forms of Organisation in Market Economies, *Organisational Studies*, 15(2), 153-182
- Whitley, R., 1997, The Social Regulation of Work Systems: Institutions, Interest Groups, and Varieties of Work Organisation in Capitalist Societies, in Whitley, R., Kristensen, P., (ed.), *Governance at Work: The Social Regulations of Economic Relations*, Oxford: Oxford University Press
- Whitley, R. 1999, *Divergent Capitalisms. The Social Sstructuring and Change of Business Systems*, Oxford: Oxford University Press
- Whitley, R., 1999b, How and Why are International Firms Different? The Consequences of Cross-boarder Management Co-ordination for Firm Characteristics and Behaviour, University of Manchester, *paper for EGOS 15<sup>th</sup> Colloquium*, 4<sup>th</sup>-6<sup>th</sup>-July, WBS
- Whitley, R., 2001, How and Why are International Firms Different? The Consequences of Cross-Border Managerial Coordination for Firm Characteristics and Behaviour, in Morgan, G., Kristensen, P., Whitley, R., (ed.), *The Multinational Firm. Organising Across Institutional and National Divides*, Oxford: Oxford University Press

- Whitley, R., Kristensen, P., (ed.), 1996, *The Changing European Firm*, London: Routledge
- Whitley, R., Kristensen, P., (ed.), 1997, *Governance at Work*, Oxford: Oxford University Press
- Williams, I., 1931, *The Firm of Cadbury 1831-1931*, London: Constable and Co.
- Wilson, B., 1993, Demythologizing Management Development, *Management Development Review*, 6(3), 7-10
- Wilson, C., 1970, *The History of Unilever*, London: Cassell & Company
- Winch, G., 1996, Contracting Systems in the European Construction Industry, in Whitley, R., Kristensen, P., (ed.), *The Changing European Firm: Limits to Convergence*, London: Routledge
- Wright, L., 1996, Qualitative International Management Research, in *Handbook for International Management Research*, MA: Blackwell Publishers
- Yin, R., 1989, *Case Study Research: Design and Methods*, Beverly Hills, CA: Sage
- Yin, R., 1993, *Applications of Case Study Research*, Newbury Park: Sage Publications
- Youndt, M., Snell, S., Dean, J., Lepak, D., 1996, Human Resource Management, Manufacturing Strategy, and Firm Performance, *Academy of Management Journal*, 39(4), 836-866
- Zander, U., Kogut, B., 1995, Knowledge and the Speed of the Transfer an Imitation of Organisational Capabilities: An empirical Test, *Organisation Science*, 6, 76-92
- Zucker, L., 1986, Production of Trust: Institutional Sources of Economic Structure, 1840-1920, *Research in Organisational Behavior*, 8, 53-111
- Zysman, J., 1983, *Governments, Markets and Growth: Financial Systems and the Politics of Industrial Change*, Ithaca, New York: Cornell University Press
- Zysman, J., 1994, How Institutions Create Historically Rooted Trajectories of Growth, *Industrial and Corporate Change*, 3(1), 243-83